Province of Nova Scotia Public Accounts

Volume 1 – Consolidated Financial Statements for the fiscal year ended March 31, 2013

The Honourable Maureen MacDonald
Minister of Finance

NOVA SCOTIA

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Message from the Minister

Four years ago, the government committed to a Back to Balance plan — a plan that would build a strong foundation on which all Nova Scotians could build a better future. The plan, however, could only be achieved with hard work and a return to prudent fiscal discipline.

The Public Accounts for the fiscal year ended March 31, 2013 demonstrate how our province is getting back on solid fiscal footing in a time of global economic uncertainty while protecting the services that matter most to Nova Scotians. These financial statements show that in the conclusion of the third year of the four-year plan, Nova Scotia's finances are steady and remain on track to achieving a balanced budget.

In 2012-13, the deficit was lower than forecast at $302.5 million. Revenues were higher than expected at $10.1 billion and total expenses were $10.4 billion. At year-end, the Province's net debt was $14.0 billion, which presented as a percentage of gross domestic product was 36.7 per cent for 2013.

These financial statements were prepared in accordance with Canadian generally accepted accounting principles for the public sector. They received an unqualified audit opinion from the Auditor General.

Thanks to the help of all Nova Scotians, we will be in a position to improve the lives of everyone in our province and to capitalize on the opportunities on our doorstep.

Maureen MacDonald

Honourable Maureen MacDonald
Minister of Finance

NOVA SCOTIA

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

for the fiscal year ended March 31, 2013

Public Accounts

In accordance with the *Finance Act*, the Minister of Finance for the Province of Nova Scotia (Province) produces the Public Accounts annually to report on the operating results and financial condition of the Province. Volume 1 includes general purpose financial statements meant to meet the needs of a variety of users. They are prepared on a consolidated basis, meaning that they include the financial information of the departments of government as well as crown corporations, boards, and other entities owned or controlled by the Province.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector. For purposes of the Province's financial statements, this means the Public Sector Accounting (PSA) standards of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

The 2013 Public Accounts *Volume 1 – Consolidated Financial Statements* commences with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is a reporting practice recommended by PSAB, and responsibility for its preparation rests with management. This section presents comparative financial highlights of the consolidated financial statements including all the entities owned or controlled by the government, as well as selected financial highlights of the General Revenue Fund itself. The FSD&A also includes an overview of the provincial debt and the Nova Scotia economy. The government is responsible for the integrity, objectivity, and fair presentation of the information in the FSD&A. The Controller prepares the FSD&A in accordance with PSAB guidance on behalf of the Minister and the Deputy Minister of Finance.

The General Revenue Fund is the level at which the annual estimates are prepared in detail for approval by the government. Therefore, the selected highlights of the General Revenue Fund include more detailed information and budget-to-actual analysis on revenues, expenses, tangible capital assets, and additional appropriations. The General Revenue Fund is comprised of all departments and public service units of the Nova Scotia provincial government, but excludes other governmental units and government business enterprises owned or controlled by the Province.

There are two additional publications in the Public Accounts suite of annual financial reports. *Volume 2 – Agencies and Funds* is a collection of audited financial statements of various agencies, boards, other governmental units, government business enterprises, and trust funds. *Volume 3 – Supplementary Information* is produced in accordance with the *Finance Act* as a record of the payments made by the General Revenue Fund in the fiscal year for salaries, travel, grants, and expenses.

Presentation of Estimates

The annual budget, referred to as the Estimates, represents the financial plan of the Province of Nova Scotia in a format that facilitates departmental management of revenue and expense transactions of the General Revenue Fund, as well as the debate and appropriations process thereon in the House of Assembly.

In order to present comparative Estimates on the Consolidated Statement of Operations and Accumulated Deficits, as well as in the following pages of variance analyses, the original Estimates have been adjusted on a line-by-line basis for consolidation purposes. The table on the subsequent page illustrates how the Consolidation and Accounting Adjustments from the original Estimates are reallocated to gross up the related revenue and expense lines for presentation on the Consolidated Statement of Operations and Accumulated Deficits.

When consolidating the government controlled entities into these financial statements, the Province adjusts the entities' accounting policies to conform with its own so the amounts can be added together on a consistent basis. Also, significant inter-entity transactions are eliminated. For example, grant expense recorded in departmental expenses is eliminated with the corresponding grant revenue in the related entity. This transfer between the two related entities does not increase or decrease the assets of the Province on a consolidated basis. After eliminations, the remaining revenues and expenses represent transactions with external entities not controlled by the Province. Only transactions with these outside entities represent the increase and decrease in the Province's financial position.

Reconciliation of Estimates

Reconciliation to the Adjusted Estimates of the Consolidated Financial Statements
For the year ended March 31, 2013

	Estimate 2013	Adjustments	Adjusted Estimate 2013
Revenue			
Provincial Sources			
Tax Revenue	4,859,390	—	4,859,390
Other Provincial Revenue	610,172	613,822	1,223,994
Net Income from Government Business Enterprises	350,993	—	350,993
Investment Income	182,418	6,301	188,719
	6,002,973	620,123	6,623,096
Federal Sources	3,267,340	57,830	3,325,170
Total Revenue	9,270,313	677,953	9,948,266
Expenses			
Agriculture	63,949	4,842	68,791
Communities, Culture and Heritage	58,665	1,915	60,580
Community Services	977,924	34,726	1,012,650
Economic and Rural Development and Tourism	187,353	47,150	234,503
Education	1,112,830	263,723	1,376,553
Energy	29,568	1,566	31,134
Environment	26,385	49,691	76,076
Finance	38,990	44,648	83,638
Fisheries and Aquaculture	8,799	—	8,799
Health and Wellness	3,861,513	100,859	3,962,372
Justice	306,723	5,989	312,712
Labour and Advanced Education	346,208	49,137	395,345
Assistance to Universities	347,619	—	347,619
Natural Resources	95,685	2,313	97,998
Public Service	174,314	(30.529)	143,785
Seniors	1,871	—	1,871
Service Nova Scotia and Municipal Relations	275,909	987	276,896
Transportation and Infrastructure Renewal	421,617	1,425	423,042
Restructuring Costs	198,724	(34,517)	164,207
Restructuring of Nova Scotia Agricultural College	—	34,517	34,517
Program Expenses	8,534,646	578,442	9,113,088
Tax Credits and Rebates	73,500	—	73,500
Pension Valuation Adjustment	71,485	—	71,485
Debt Servicing Costs	881,701	19,692	901,393
Total Expenses	9,561,332	598,134	10,159,466
	(291,019)	79,819	(211,200)
Consolidation and Accounting Adjustments			
General Revenue Fund Consolidation Adjustments	81,550	(81,550)	—
Health and Hospital Boards Operations	—	—	—
School Board Operations	—	—	—
Special Purpose Funds	(637)	637	—
Other Organizations	(1,094)	1,094	—
Total Adjustments	79,819	(79,819)	—
Provincial Deficit	(211,200)	—	(211,200)

Economic Highlights

Own-source revenues depend on the level of economic activity that occurs in the province. In advance of receiving results of actual tax revenues collected, the Department of Finance relies on economic forecasts and known relationships with historical administrative tax data to estimate tax revenues. This includes revenue forecasts in respect of the 2012 taxation year, which have not been fully processed, and the 2013 taxation year, which have not yet been filed.

The Department of Finance's previous economic outlook was published as part of the 2013-14 Budget Assumptions using data and information up to March 4, 2013. The revised economic outlook presented below uses data and information up to June 4, 2013. Information revealed beyond this date may not be fully reflected in this forecast and will be incorporated in future economic outlooks.

Provincial Economic Outlook: 2012 and 2013

(Per cent change, except where noted)	Previous (March 2013)		Revised (June 2013)	
	2012	2013	2012	2013
Real GDP (2007 chained)	1.2%	1.3%	0.8%	1.3%
Nominal GDP	3.3%	2.3%	2.8%	2.4%
Compensation of Employees	2.0%	3.3%	2.3%	3.6%
Household Final Consumption	3.7%	3.8%	3.2%	2.8%
Retail Sales	[a]1.0%	3.8%	[a]1.0%	-1.0%
Consumer Price Index	[a]2.0%	1.5%	[a]2.0%	1.2%
Investment in Residential Structures	5.0%	5.3%	4.9%	5.3%
Net Operating Surplus: Corporations	8.9%	7.5%	8.5%	7.1%
Exports of Goods to Other Countries	-14.6%	4.3%	-14.4%	9.8%
Population at July 1 (thousands)	[a]948.7	947.9	[a]948.7	947.9
Employment	[a]0.6%	-0.2%	[a]0.6%	-0.2%
Unemployment Rate, Annual Average	[a]9.0%	9.1%	[a]9.0%	9.1%

[a] *actual*

External Conditions

Much of the economic volatility Nova Scotia experienced in 2012 can be attributed to economic circumstances and events within the province rather than the slow pace of recovery around the world. Although the effects of the ongoing European recession have not materialized in the financial industry, global recovery remains uneven and fragile. Monetary stimulus has provided some confidence to investors, but fiscal uncertainties in the US and risks to the Euro remain a drag on growth.

Through the second half of 2012 and early 2013, the US economy showed signs of a self-sustaining recovery as residential construction, consumer spending, and business investment growth outweighed fiscal drag from shrinking government expenditures. US real gross domestic product (GDP) growth of 2.2 per cent in 2012 was followed by 1.8 per cent in the first quarter of 2013.

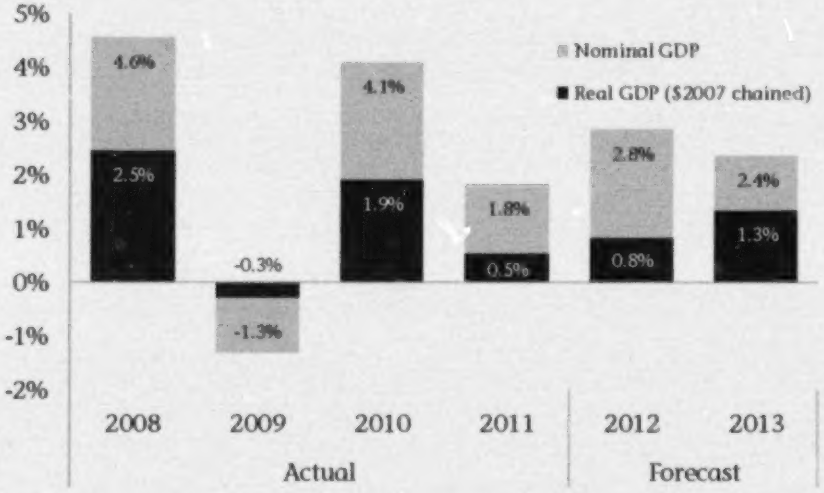
At 1.7 per cent, Canadian economic growth fell short of the US pace in 2012. Notably, slowing global trade offset gains from residential construction and increased outputs from manufacturing. Canada's growth in the first quarter of 2013 strengthened to 2.5 per cent, reversing 2012 patterns with stronger trade and weaker residential construction.

Nova Scotia Economic Performance and Outlook

Economic events within the province were the main contributors to volatility in results for both 2011 and 2012. This period saw Nova Scotia's forest sector undergo significant restructuring and reduction in capacity, while large investments in gas production and wind power generation appeared. The provincial economy also faced headwinds from changing oil prices, to which Nova Scotia prices and consumption are particularly sensitive, as well as the effects of fiscal restraint.

Preliminary data for 2012 suggest that real GDP (by industry) at basic prices grew at a pace of 0.2 per cent, with declines concentrated in forestry, mining/gas, manufacturing, utilities, and public administration. Measured at market prices, real GDP was estimated to have posted a 0.8 per cent gain in 2012, followed by an expected 1.3 per cent gain in 2013.

Nova Scotia Economic Outlook
(Gross Domestic Product growth)



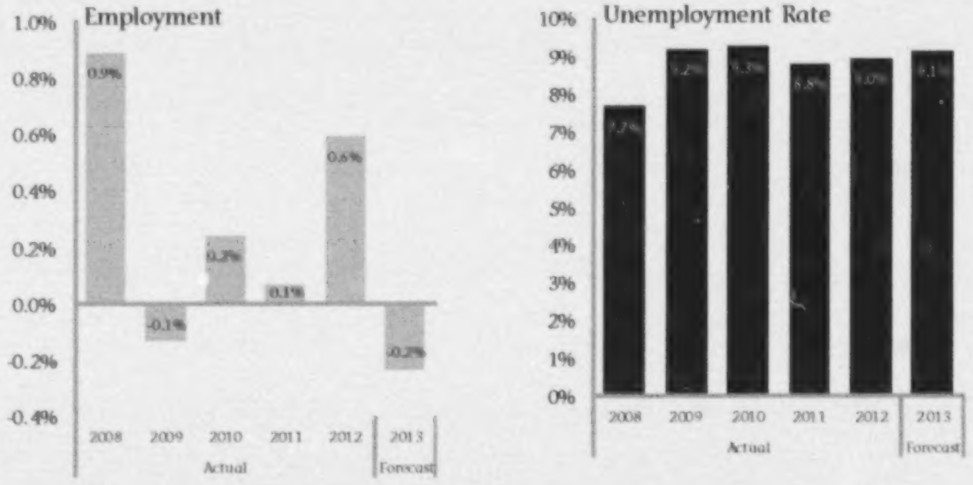
Source: Statistics Canada, CANSIM table 384-0038; Nova Scotia Department of Finance projection

Nova Scotia's pace of nominal GDP growth is more strongly correlated to revenue growth. After an estimated growth of 2.8 per cent in 2012, Nova Scotia's nominal GDP is expected to slow to 2.4 per cent in 2013 as broad price inflation is muted and import prices stabilize.

Nova Scotia Employment and Labour Force

Despite slower economic growth, Nova Scotia's labour markets reported employment growth of 0.6 per cent, their strongest year since the recession. Rising employment was outpaced by increases in the size of the labour force resulting in a small increase in the unemployment rate to 9.0 per cent. Strong employment gains from the first half of 2012 eroded later in the year. Despite some months with positive employment growth, Nova Scotia's employment through the first half of 2013 averaged 0.2 per cent below the same period in 2012. With a 0.2 per cent gain in the size of the labour force over this time, the average unemployment rate rose to 9.2 per cent through the first half of 2013. The unemployment rate is expected to average 9.1 per cent in 2013. As of June 2013, employment reached pre-recession levels.

Labour Markets
(Employment growth, unemployment rate)

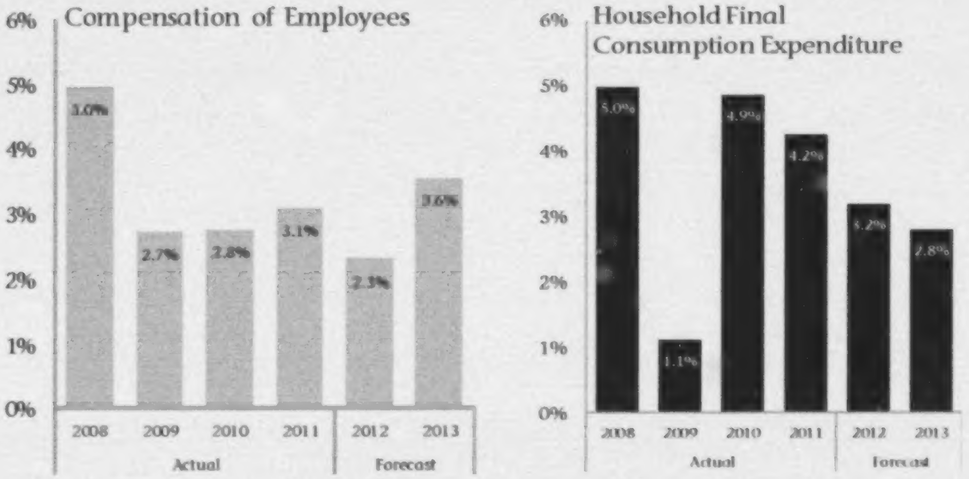


Source: *Statistics Canada CANSIM table 282-0002; NS Department of Finance projections*

Nova Scotia Labour Income and Household Consumption

With slow economic growth, Nova Scotia's labour income decelerated to an estimated 2.3 per cent growth in 2012. Declines in compensation of employees were concentrated in manufacturing, oil and gas, and federal public administration sectors. Although employee compensation is expected to recover to 3.6 per cent growth in 2013, this is still below the rate of expansion observed in the ten years prior to the recession.

Income and Consumption
(Growth rate, nominal)



Source: *Statistics Canada CANSIM table 384-0037 and 384-0038; NS Department of Finance projections*

Note: *To remove a non-cash distortion to the data, the impact of a $536 million public pension plan adjustment paid in January 2011 was removed from the growth rates in compensation of employees.*

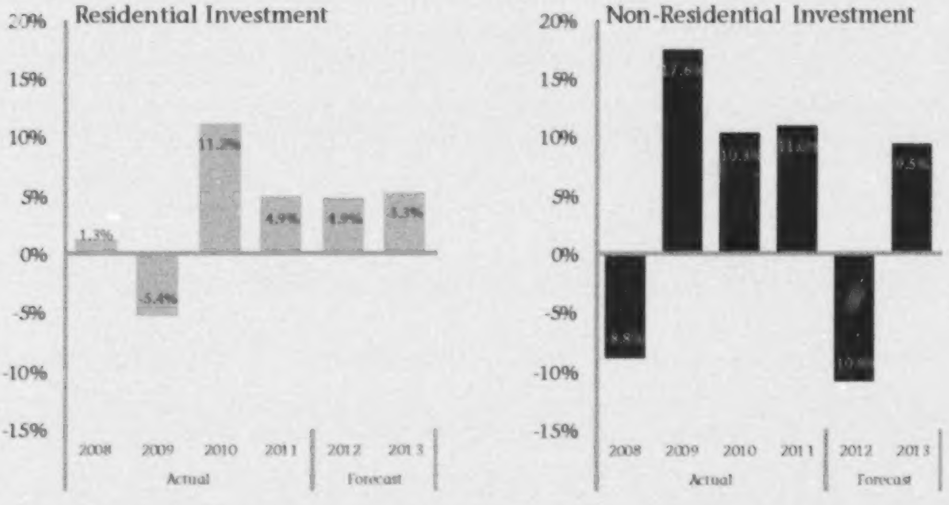
Household consumption is typically more stable than income, but overall consumption growth is expected to slow in 2012 and 2013. Retail sales results, which are only a portion of household consumption, were particularly slow in 2012 as oil prices stabilized. Through the first four months of 2013, Nova Scotia retail sales were down again 0.6 per cent compared with the same period in 2012, despite a 9.5 per cent gain in the value of new motor vehicle sales from January to May.

Nova Scotia Construction Investments

Nova Scotia's residential construction investments have been an important source of growth in the past two years and preliminary indicators suggest that this continued in 2012 and will continue in 2013. The past four quarters of residential construction investment in Nova Scotia saw the highest level of activity on record, particularly on the strength of apartment and renovation investments. National expectations of residential construction slowdown are not expected to affect Nova Scotia, which has experienced more stable investment and pricing.

Non-residential investments in structures as well as machinery and equipment have been more volatile in Nova Scotia. With the completion of substantial portions of the Deep Panuke offshore gas development in 2012, non-residential construction activities are expected to be slower. However, commencement of major projects such as the Nova Centre, Halifax Shipyard upgrades, and other non-residential activities are expected to lead a rebound in investments during 2013, although institutional and industrial investments were down in the first quarter of 2013.

Investment
(Growth rate, nominal)

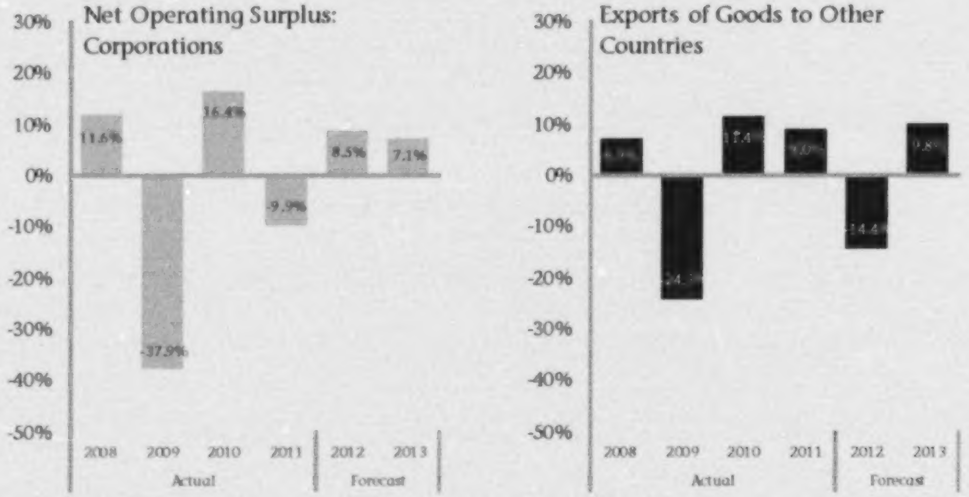


Source: Statistics Canada CANSIM table 384-0038, NS Department of Finance projections

Nova Scotia Corporate Profits

Nova Scotia's corporate sector exhibited signs of significant challenges in 2012 as paper industry output weighed on manufacturing shipments and exports. Despite this, net operating surplus of corporations was estimated to have posted a recovery from its 2011 downturn. Further operating surplus growth is expected in 2013, but these profit indicators remain well below pre-recession peaks. Preliminary indicators of international goods exports have signalled recovery in 2013, posting growth of 8.0 per cent from January to May 2013, the strongest growth among the provinces. Nova Scotia's exports to other provinces are also expected to boost trade recovery in 2013.

Profits and Exports
(Growth rate, nominal)



Source: Statistics Canada CANSIM tables 384-0037 and 384-0038; NS Department of Finance projections

Risks and Adjustments

Although this summary of economic indicators for 2012 and 2013 forms the basis for the final revenues presented, they are still projections. Further economic and administrative data relating to 2012 and 2013 are expected in the future. New data may result in adjusted revenues in respect to the taxation years reported in this document. Such changes will be reflected in subsequent fiscal years as prior years' adjustments.

Nova Scotia Key Economic Indicators

Calendar Year		ACTUAL				FORECAST	
		2008	2009	2010	2011	2012	2013
Nominal GDP at Market Prices ($ millions)		35,394	34,921	36,350	37,015	38,070	38,970
	% Change	*4.6%*	*-1.3%*	*4.1%*	*1.8%*	*2.8%*	*2.4%*
Real GDP at Market Prices (chained 2007 $ millions)		34,685	34,581	35,243	35,424	35,717	36,198
	% Change	*2.5%*	*-0.3%*	*1.9%*	*0.5%*	*0.8%*	*1.3%*
Compensation of Employees ($ millions)		18,404	18,908	19,431	20,033	20,499	21,229
	% Change	*5.0%*	*2.7%*	*2.8%*	*3.1%*	*2.3%*	*3.6%*
Primary Household Income ($ millions)		24,835	25,397	26,160	26,966	27,578	28,640
	% Change	*3.8%*	*2.3%*	*3.0%*	*3.1%*	*2.3%*	*3.9%*
Household Final Consumption Expenditure ($ millions)		23,332	23,593	24,739	25,790	26,615	27,359
	% Change	*5.0%*	*1.1%*	*4.9%*	*4.2%*	*3.2%*	*2.8%*
Retail Sales ($ millions)		12,120	12,141	12,692	13,146	13,274	13,141
	% Change	*4.1%*	*0.2%*	*4.5%*	*3.6%*	*1.0%*	*-1.0%*
Consumer Price Index (2002 = 100)		115.9	115.7	118.2	122.7	125.1	126.6
	% Change	*3.0%*	*-0.2%*	*2.2%*	*3.8%*	*2.0%*	*1.2%*
Business Gross Fixed Capital Formation:							
Residential ($ millions)		2,389	2,261	2,514	2,637	2,765	2,913
	% Change	*1.3%*	*-5.4%*	*11.2%*	*4.9%*	*4.9%*	*5.3%*
Non-Residential ($ millions)		2,526	2,971	3,278	3,639	3,243	3,550
	% Change	*-8.8%*	*17.6%*	*10.3%*	*11.0%*	*-10.9%*	*9.5%*
Net Operating Surplus: Corporations ($ millions)		3,868	2,402	2,795	2,517	2,730	2,925
	% Change	*11.6%*	*-37.9%*	*16.4%*	*-9.9%*	*8.5%*	*7.1%*
Exports of Goods and Services ($ millions)		16,151	13,591	14,934	15,836	15,187	16,186
	% Change	*6.2%*	*-15.9%*	*9.9%*	*6.0%*	*-4.1%*	*6.6%*
Exports of Goods to Other Countries ($ millions)		6,754	5,112	5,696	6,210	5,318	5,841
	% Change	*6.9%*	*-24.3%*	*11.4%*	*9.0%*	*-14.4%*	*9.8%*
Imports of Goods and Services ($ millions)		22,688	21,744	23,367	25,820	24,982	26,216
	% Change	*3.5%*	*-4.2%*	*7.5%*	*10.5%*	*-3.2%*	*4.9%*
Population at July 1 (thousands)		937.5	940.6	945.2	948.5	948.7	947.9
	% Change	*0.2%*	*0.3%*	*0.5%*	*0.3%*	—	*-0.1%*
Labour Force, Annual Average (thousands)		489.4	497.0	498.8	496.6	500.4	500.1
	% Change	*0.6%*	*1.6%*	*0.4%*	*-0.4%*	*0.8%*	*-0.1%*
Participation Rate, Annual Average (per cent)		63.6%	64.3%	64.2%	63.7%	64.1%	64.1%
	Change	*0.1%*	*0.7%*	*-0.1%*	*0.5%*	*0.4%*	—
Employment, Annual Average (thousands)		452.0	451.4	452.5	452.8	455.5	454.0
	% Change	*0.9%*	*-0.1%*	*0.2%*	*0.1%*	*0.6%*	*-0.2%*
Unemployment Rate, Annual Average (per cent)		7.7%	9.2%	9.3%	8.8%	9.0%	9.1%
	Change	*-0.3%*	*1.5%*	*0.1%*	*-0.5%*	*0.2%*	*0.1%*

For purposes of the Public Accounts, the Department of Finance updated its economic assumptions for 2012 and 2013. There are no new statements of Provincial Economic Accounts for 2012, but revised assumptions have resulted in a new economic forecast.

Unless otherwise indicated, the analysis included in the Economic Highlights section is based on the calendar year, not the fiscal year.

NOVA SCOTIA

FINANCIAL HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2013

Financial Highlights

($ thousands)

	Adjusted Estimate 2013	Actual 2013	Actual 2012 *(as restated)*
Consolidated Statement of Operations for the fiscal year ended March 31			
Total Revenue	9,948,266	10,101,865	9,760,289
Total Expenses	10,159,466	10,404,356	10,019,278
Provincial Deficit	(211,200)	(302,491)	(258,989)
Consolidated Statement of Financial Position as at March 31			
Financial Assets		3,868,786	3,908,739
Total Liabilities		17,822,555	17,291,685
Net Debt		(13,953,769)	(13,382,946)
Non-Financial Assets		5,472,099	5,203,767
Accumulated Deficits		(8,481,670)	(8,179,179)

Provincial Deficit

The provincial deficit is the net financial result of the year's operations. For the fiscal year ending March 31, 2013, total revenue was $10.1 billion (2012 - $9.8 billion) and total expenses were $10.4 billion (2012 - $10.0 billion). The resulting provincial deficit was $302.5 million, which was $91.3 million higher than the budgeted deficit of $211.2 million and $43.5 million higher than the prior year's deficit. Certain accounting changes were made during the year that resulted in restatements of the prior year comparatives. Details are provided in Note 2 on page 80 of this publication.

Net Debt

Net debt is the difference between the Province's total liabilities and its financial assets. Net debt represents the amount of liabilities to be funded from future revenues, including taxation. Net debt increased by $570.8 million to $14.0 billion as a result of the $302.5 million deficit and net investments of $278.0 million in tangible capital assets offset by a decrease of $9.7 million in other non-financial assets.

Accumulated Deficits

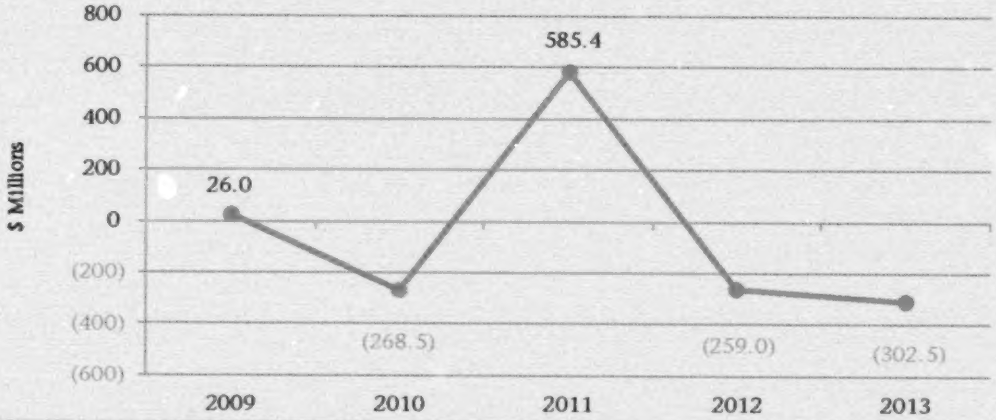
Accumulated deficits represent the difference between the Province's total liabilities and both financial and non-financial assets. Further, it is the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits increased to $8.5 billion at March 31, 2013 as a result of the deficit of $302.5 million. Under Canadian generally accepted accounting principles (GAAP) for the public sector, a year-end deficit increases accumulated deficits.

Provincial Deficit

The main purpose of the Consolidated Statement of Operations and Accumulated Deficits is to report the Province's revenues and expenses for the year ended March 31, 2013 and the comparative fiscal year.

The Province of Nova Scotia reported the following net results over the past five years:

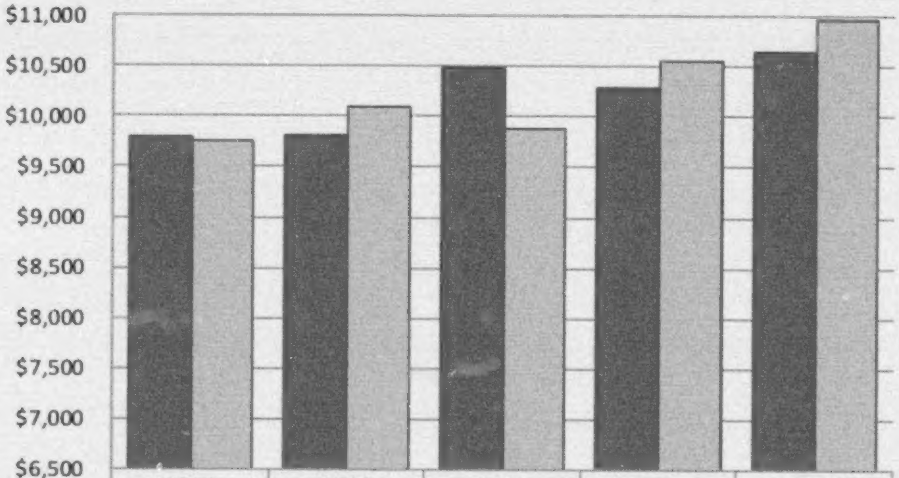
Provincial Surplus (Deficit) - 5 Year Trend



Revenues and Expenses per Capita

The provincial deficit increased by $46 on a per capita basis, from $273 per capita in 2012 to $319 per capita in 2013.

Revenue & Expenses per Capita - 5 Year Trend



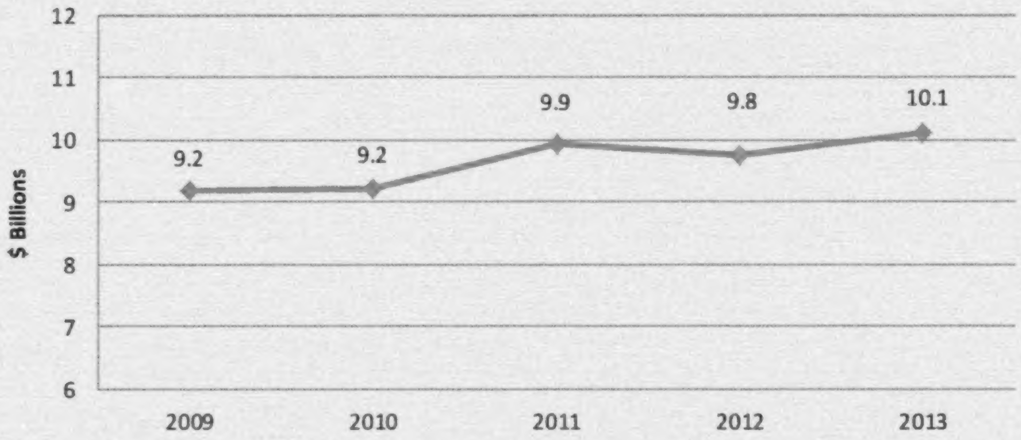
	2009	2010	2011	2012	2013
■ Total Revenue	$9,792	$9,814	$10,494	$10,290	$10,648
▨ Total Expenses	$9,765	$10,099	$9,875	$10,563	$10,967

Revenue

On a consolidated basis, total revenue for the year was $153.6 million higher than estimate and $341.6 million higher than the previous year. Changes in revenue from taxes and federal contributions were attributable to the General Revenue Fund specifically. The remaining revenues were earned from a variety of sources by the General Revenue Fund and the Province's controlled entities. Additional details on General Revenue Fund revenue variances are provided in the analysis commencing on page 48 of this publication.

Revenue **($ thousands)**	**Adjusted Estimate 2013**	**Actual 2013**	**Actual 2012**	**Actual vs Estimate**	**Actual vs Actual**
Provincial Sources			*(as restated)*		
Tax Revenue					
Income Taxes	2,593,750	2,562,576	2,399,284	(31,174)	163,292
Sales Taxes	2,128,590	2,198,518	2,076,676	69,928	121,842
Other Tax Revenue	137,050	140,700	176,098	3,650	(35,398)
Other Provincial Revenue					
Petroleum Royalties	27,672	3,535	112,680	(24,137)	(109,145)
Recoveries	276,422	377,443	301,642	101,021	75,801
Miscellaneous	919,900	1,009,656	949,781	89,756	59,875
Net Income from GBEs	350,993	352,097	369,370	1,104	(17,273)
Investment Income					
Interest Revenue	80,371	83,429	88,696	3,058	(5,267)
Sinking Fund Earnings	108,348	111,146	106,768	2,798	4,378
	6,623,096	6,839,100	6,580,995	216,004	258,105
Federal Sources					
Equalization Payments	1,593,820	1,578,829	1,407,242	(14,991)	171,587
Other Federal Transfers	1,731,350	1,683,936	1,772,052	(47,414)	(88,116)
	3,325,170	3,262,765	3,179,294	(62,405)	83,471
Total Revenue	9,948,266	10,101,865	9,760,289	153,599	341,576

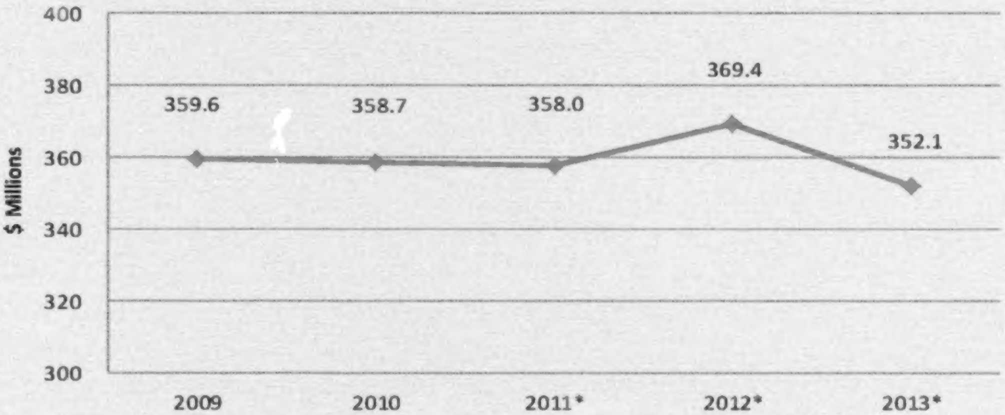
Total Revenue - 5 Year Trend



Net Income from Government Business Enterprises

Net income from government business enterprises (GBEs) decreased by $17.3 million from the previous year to $352.1 million. Net income from GBEs has decreased by $7.5 million since 2009 with a high of $369.4 million in 2012. One of the major contributing factors to the consistency in this revenue source has been the profits derived from the Nova Scotia Liquor Corporation.

Net Income from GBEs - 5 Year Trend

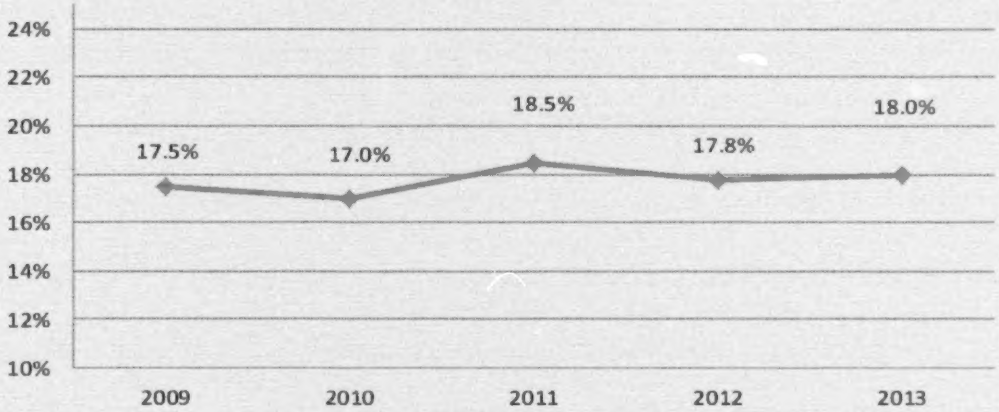


* *Prepared in accordance with International Financial Reporting Standards (IFRS)*

Own Source Revenue to Gross Domestic Product

This ratio measures the extent to which the Province is earning income out of the provincial economy, either through taxation or user fees. Own source revenue as a percentage of nominal gross domestic product (GDP) has remained relatively stable over the last five years, from a low of 17.0 per cent in 2010 to a high of 18.5 per cent in 2011, meaning that the Province has not significantly changed its demands on the provincial economy during this time.

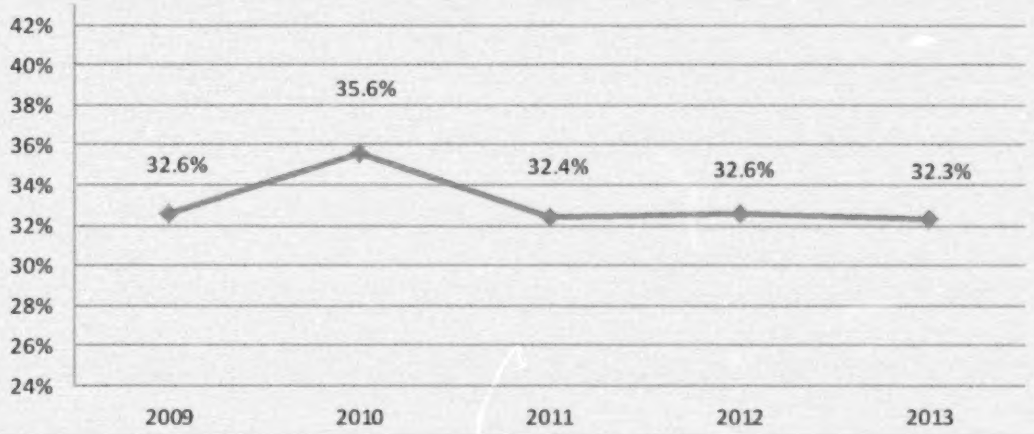
Own Source Revenue to GDP - 5 Year Trend



Federal Transfers to Total Revenue

This ratio measures the extent of funding from the federal government. These transfers are dependent on policy decisions at the federal level and are generally outside the control of the provincial government. Federal transfers as a percentage of total revenue decreased 0.3 percentage points from the previous year to 32.3 per cent. The percentage of federal transfers to total revenue remained relatively consistent for the Province over the past five years, ranging from a low of 32.3 per cent in 2013 to a high of 35.6 per cent in 2010, during Canada's stimulus funding under the Economic Action Plan.

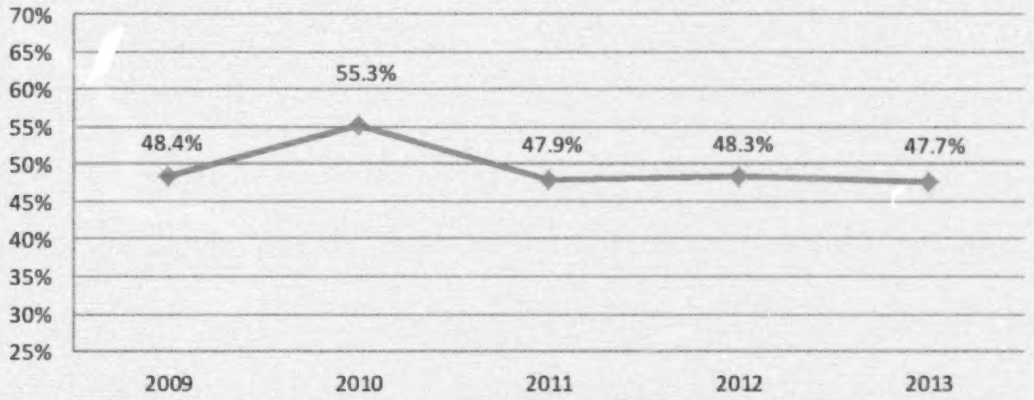
Federal Transfers to Total Revenue - 5 Year Trend



Federal Transfers to Own Source Revenue

This ratio measures the extent to which the Province raises its own revenue from within the province as compared to the amount it receives from the federal government. Federal transfers as a percentage of own source revenue decreased 0.6 percentage points from the previous year to 47.7 per cent. The percentage of federal transfers to own source revenue over the past five years ranged from a low of 47.7 per cent in 2013 to a high of 55.3 per cent in 2010, during Canada's stimulus funding under the Economic Action Plan.

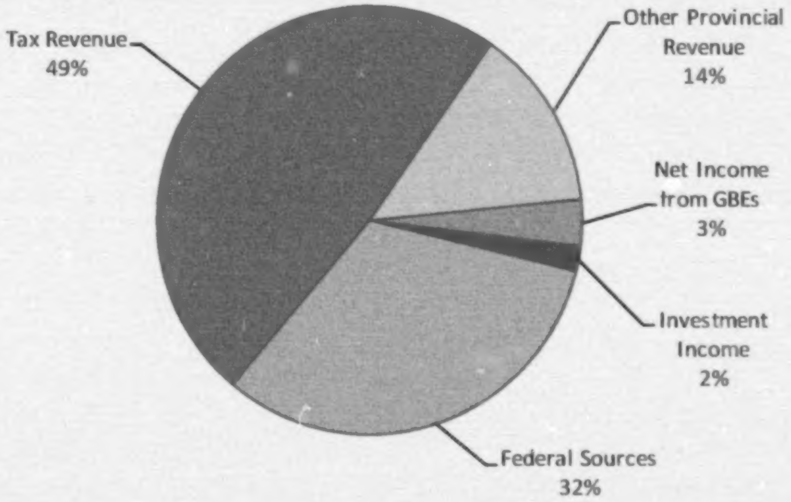
Federal Transfers to Own Source Revenue - 5 Year Trend



Revenue by Source

The Province's revenue by major sources remained consistent over the past five years. The related breakdown for 2013 was as follows:

Revenue by Source - 2013



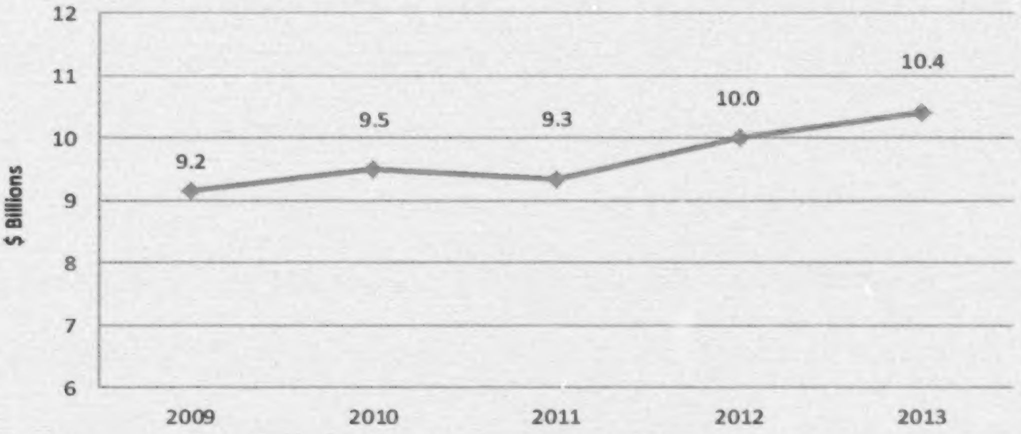
Expenses

The nature of the Province's expenses remained consistent with the prior year. The health and education sectors made up 53.4 per cent of total expenses (2012 - 54.3 per cent). Total expenses were $244.9 million higher than estimate. Health and Wellness, Education, and Assistance to Universities expenses were over budget by a combined $246.9 million, and the remaining expenses were under budget by a combined $2.0 million.

Total expenses were $385.1 million higher than the prior year primarily due to an increase of $146.4 million in Health and Wellness, $80.1 million in restructuring costs, $67.3 million in pension valuation adjustments, $58.5 million in debt servicing costs, and $53.1 million in Economic and Rural Development and Tourism. Other expenses combined for a decrease of $20.3 million.

Expenses ($ thousands)	**Adjusted Estimate 2013**	**Actual 2013**	**Actual 2012** *(as restated)*	**Actual vs Estimate**	**Actual vs Actual**
Health and Wellness	3,962,372	4,122,825	3,976,425	160,453	146,400
Education	1,376,553	1,429,756	1,468,528	53,203	(38,772)
Community Services	1,012,650	1,029,692	1,047,543	17,042	(17,851)
Labour and Advanced Education and Universities	742,964	769,748	779,425	26,784	(9,677)
Transportation and Infrastructure Renewal	423,042	417,747	412,204	(5,295)	5,543
Justice	312,712	312,981	297,287	269	15,694
Service Nova Scotia and Municipal Relations	276,896	270,102	260,366	(6,794)	9,736
Debt Servicing Costs	901,393	921,484	862,998	20,091	58,486
Other Expenses	1,150,884	1,130,021	914,502	(20,863)	215,519
Total Expenses	10,159,466	10,404,356	10,019,278	244,890	385,078

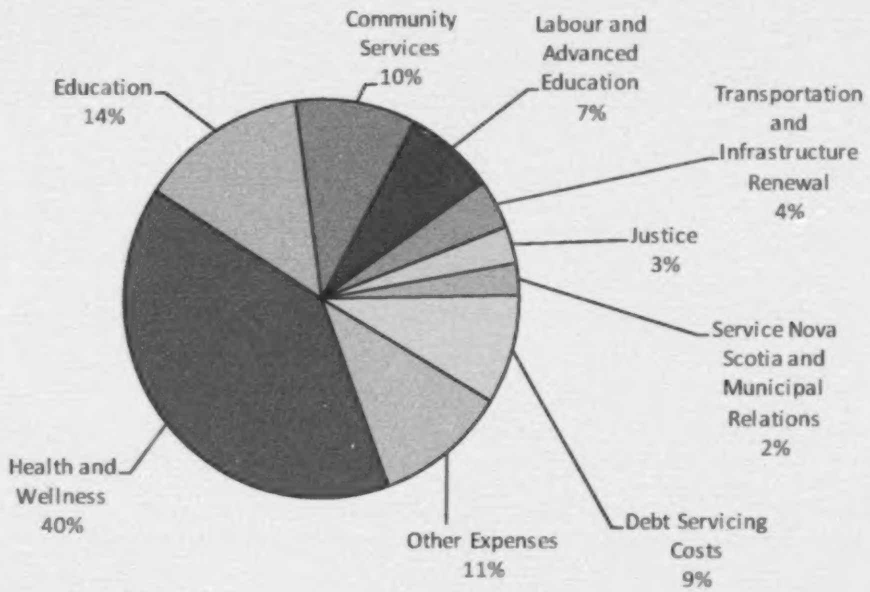
Total Expenses - 5 Year Trend



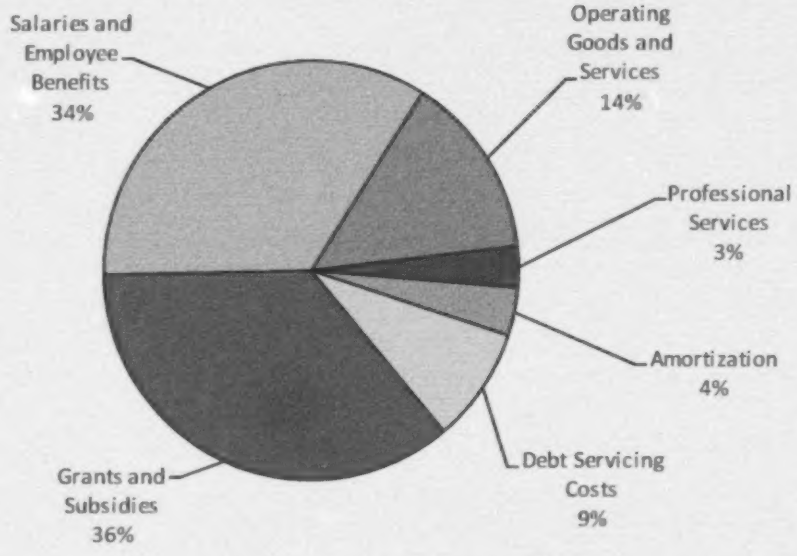
Expenses by Function and by Object

The Province's expenses by major activities and by object remained consistent over the past five years. The related breakdowns for 2013 were as follows:

Expenses By Function - 2013



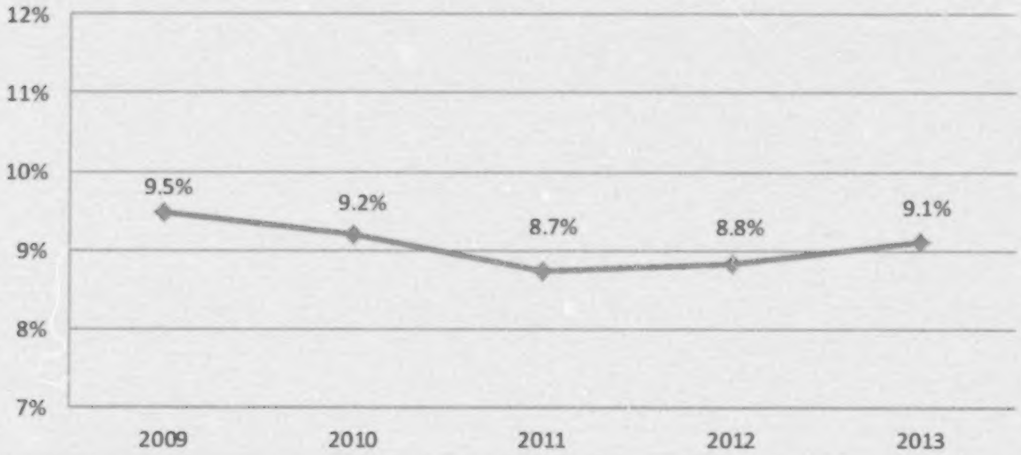
Expenses By Object - 2013



Debt Servicing Costs to Total Revenue

Debt servicing costs as a percentage of total revenue shows the proportion of every dollar of revenue that is needed to pay interest and thus is not available to pay for program initiatives. A lower ratio means that there is more revenue available to provide government services. Over the past five years, the percentage of debt servicing costs to total revenue decreased from a high of 9.5 per cent in 2009 to 9.1 per cent in 2013. The ratio was at a low of 8.7 per cent in 2011.

Debt Servicing Costs to Total Revenue - 5 Year Trend



Net Debt

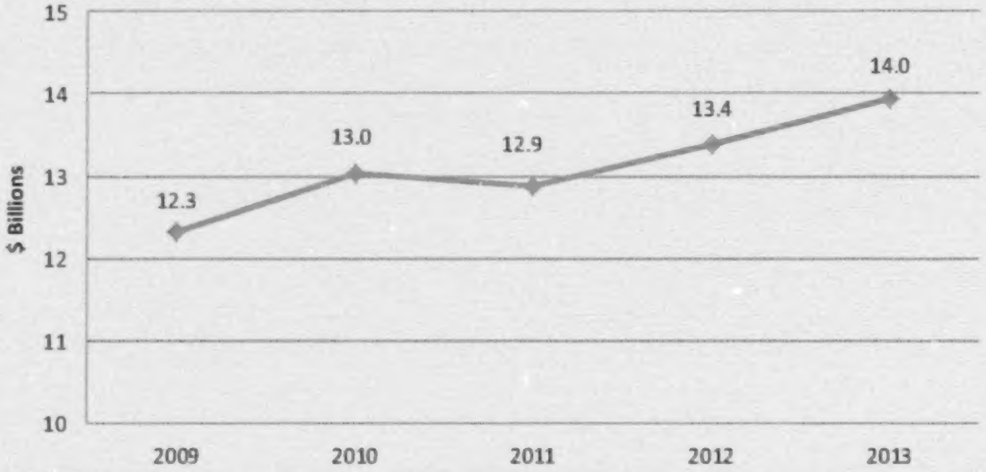
The Consolidated Statement of Financial Position reports the balances of financial assets, liabilities, and non-financial assets. The balance of net debt is a key measure of the Province's financial position, and accumulated deficits is a secondary measure.

Net debt is the amount that current and past generations have accumulated through the incurrence of annual deficits and net investments in non-financial assets. Net debt represents the liabilities needed to be funded from future revenues, including taxation. These amounts remain an obligation for future generations to fund through annual surpluses or to continue to carry as debt. Net debt results when a government's total liabilities exceed its total financial assets.

Net debt was $14.0 billion at March 31, 2013, $570.8 million higher than the previous year due to the $302.5 million deficit and $278.0 million net investment in tangible capital assets. Other small changes that reduced the balance of net debt were decreases of $4.6 million in supplies inventory and $5.1 million in prepaid expenses.

The Province of Nova Scotia reported net debt in the past five years as follows:

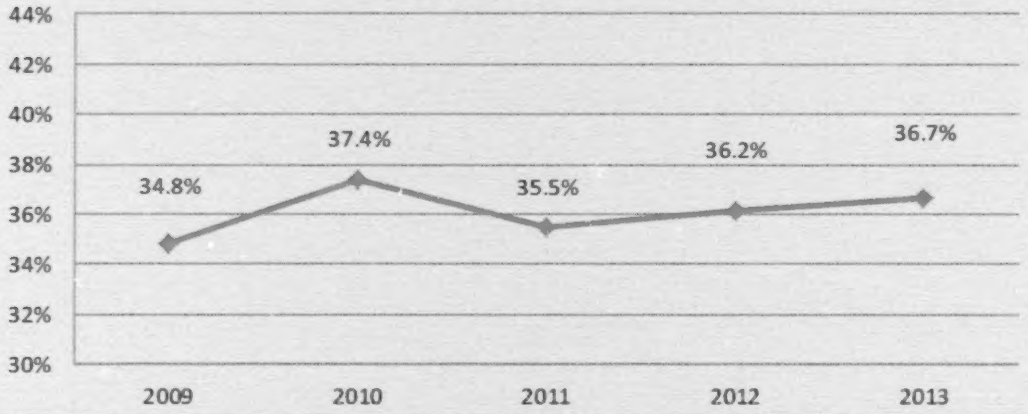
Net Debt - 5 Year Trend



Net Debt to Gross Domestic Product

Net debt as a percentage of the provincial GDP provides a measure of the level of financial demands placed on the economy by the Province's spending and taxation policies. A higher ratio means the net debt of the Province is more onerous on future generations. This ratio increased 0.5 percentage points to 36.7 per cent in 2013. Over the past five years, this ratio ranged from a low of 34.8 per cent in 2009 to a high of 37.4 per cent in 2010.

Net Debt to GDP - 5 Year Trend

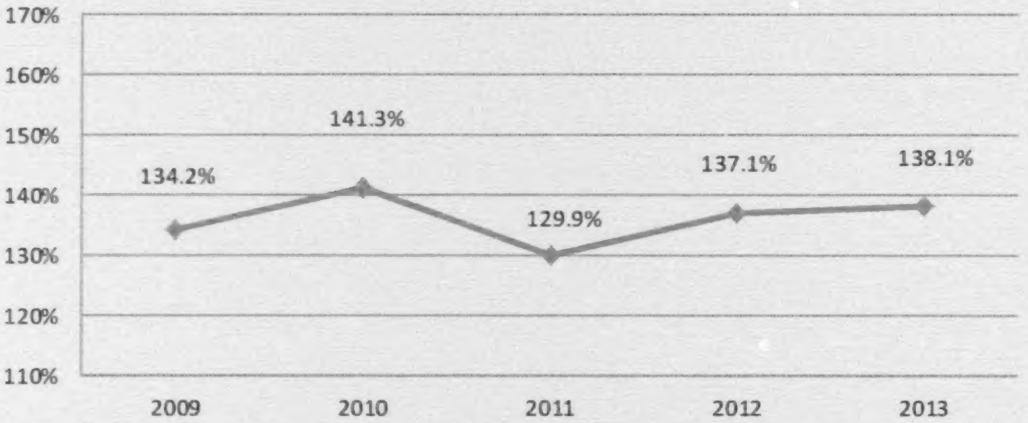


Net Debt to Total Revenue

Net debt provides a measure of the future revenues required to pay for past deficits and investments in non-financial assets. An increasing ratio of net debt to total revenue would indicate that more time is necessary to eliminate net debt.

Net debt as a percentage of total revenue increased 1.0 percentage point from the previous year to 138.1 per cent. Over the past five years, this ratio ranged from a low of 129.9 per cent in 2011 to a high of 141.3 per cent in 2010.

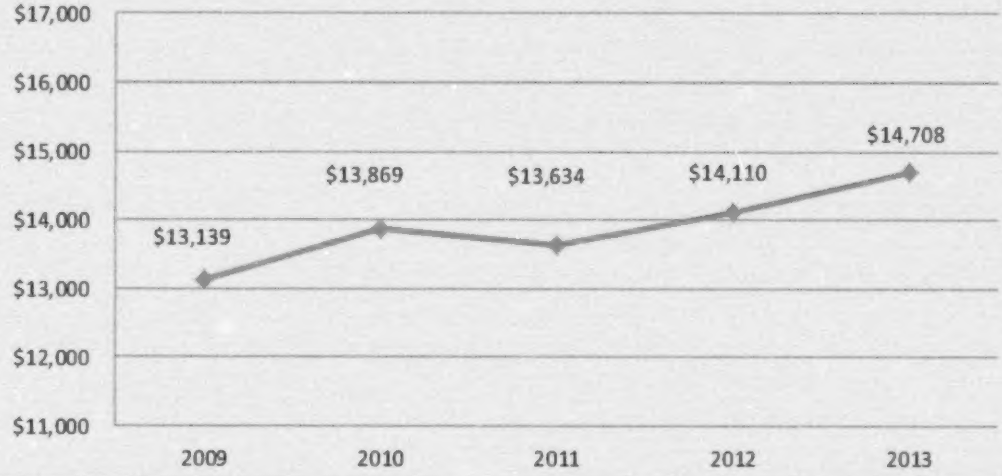
Net Debt to Total Revenue - 5 Year Trend



Net Debt per Capita

Net debt per capita increased by $598 from $14,110 in 2012 to $14,708 in 2013. An increase in net debt per capita shows that the Province's debt is increasing at a faster rate than the growth in Nova Scotia's population.

Net Debt per Capita - 5 Year Trend

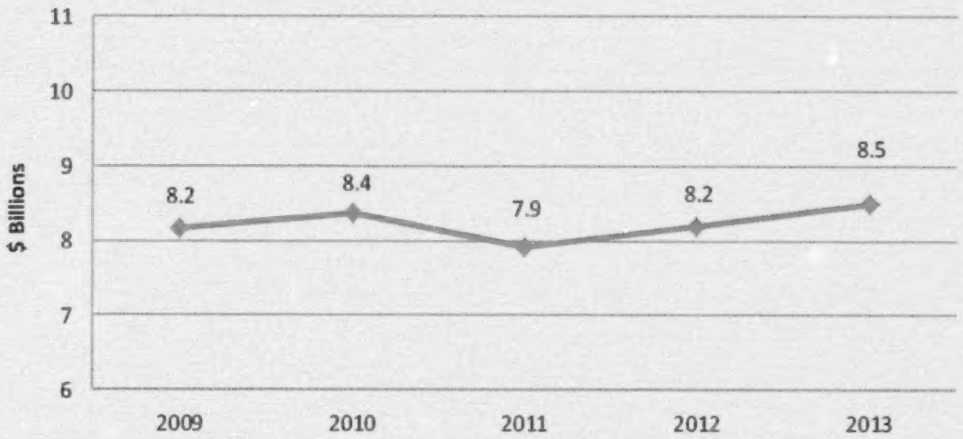


Accumulated Deficits

Accumulated deficits represent the difference between the Province's liabilities and both financial and non-financial assets. Further, they are the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits were $8.5 billion at the end of 2013, higher compared to 2012 as a result of the current year's deficit of $302.5 million.

The Province of Nova Scotia reported accumulated deficits in the past five years as follows:

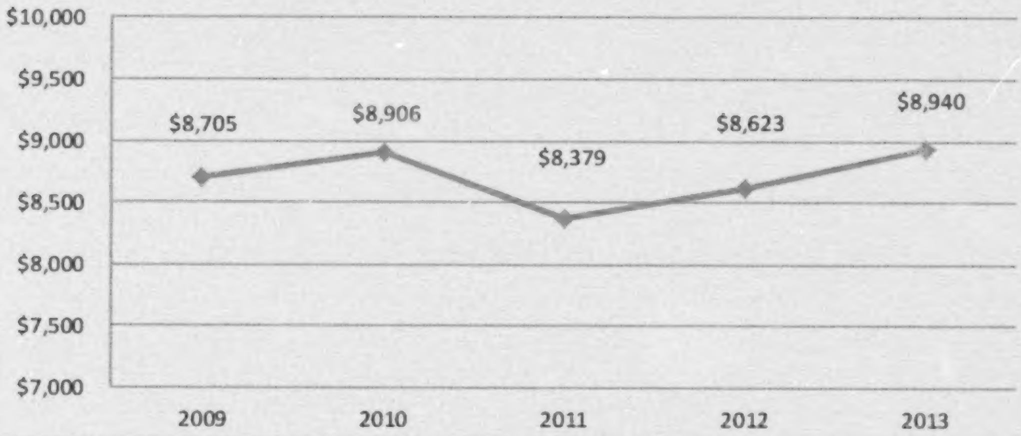
Accumulated Deficits - 5 Year Trend



Accumulated Deficits per Capita

Accumulated deficits increased $317 per capita from $8,623 in 2012 to $8,940 in 2013. Over the past five years, accumulated deficits per capita ranged from a low of $8,379 in 2011 to a high of $8,940 in 2013 with an overall increase of $235 since 2009.

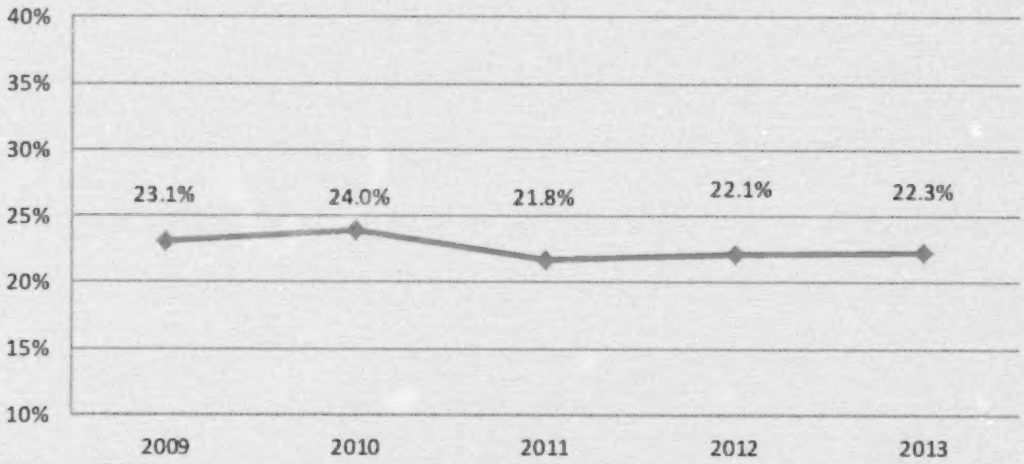
Accumulated Deficits per Capita - 5 Year Trend



Accumulated Deficits to Gross Domestic Product

Accumulated deficits expressed as a percentage of GDP increased 0.2 percentage points from 22.1 per cent in 2012 to 22.3 per cent in 2013 mainly due to the deficit being offset by the growth in GDP. Over the past five years, accumulated deficits to GDP ranged from a low of 21.8 per cent in 2011 to a high of 24.0 per cent in 2010. The overall decline in this ratio was 0.8 percentage points since 2009.

Accumulated Deficits to GDP - 5 Year Trend



Financial Assets

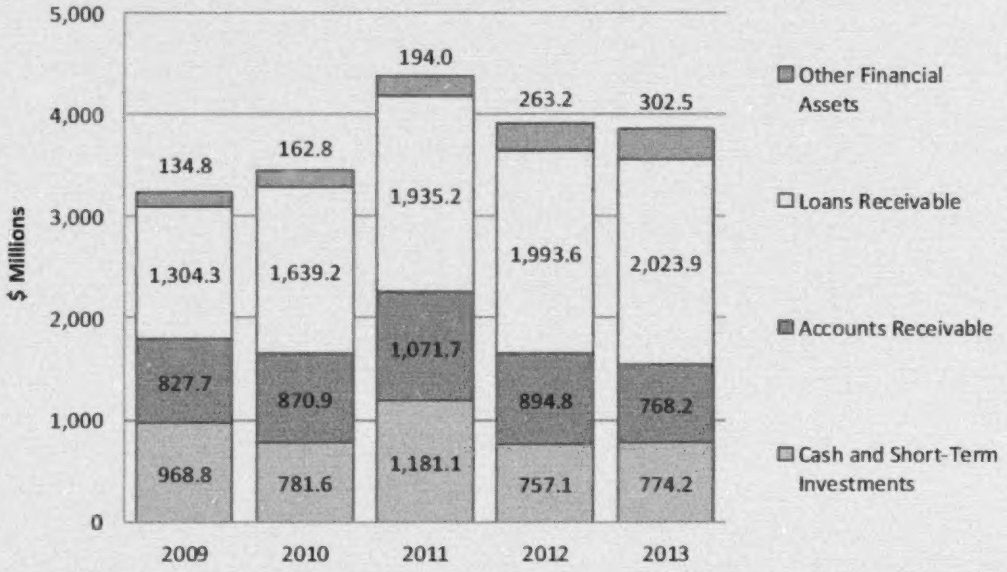
Financial assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets decreased $40.0 million from the previous year to $3.9 billion at the end of 2013. Cash and short-term investments increased by $17.1 million as a result of the operating, investing, capital, and financing activities explained on page 43. Accounts receivable decreased by $126.6 million from the previous year.

Loans receivable increased from last year by $30.3 million due to an increase of $39.1 million in the loan portfolio of Nova Scotia Municipal Finance Corporation, additional lending net of repayments by the General Revenue Fund of $23.2 million, and a $9.9 million increase in the loan portfolio of Nova Scotia Housing Development Corporation from infrastructure loans to long-term care providers. These increases were offset by a decline of $41.7 million in the loan portfolio of Nova Scotia Business Inc. and other decreases totaling $0.2 million.

Financial Assets
($ thousands)

	Actual 2013	% of Total	Actual 2012	% of Total	Variance Increase (Decrease)
Cash and Short-Term Investments	774,202	20.0%	757,086	19.4%	17,116
Accounts Receivable	768,199	19.9%	894,796	22.9%	(126,597)
Loans Receivable	2,023,912	52.3%	1,993,626	51.0%	30,286
Other Financial Assets	302,473	7.8%	263,231	6.7%	39,242
Total Financial Assets	3,868,786	100.0%	3,908,739	100.0%	(39,953)

Financial Assets - 5 Year Trend



Investment in Government Business Enterprises

Other financial assets include the Province's financial position in its government business enterprises (GBEs), which has continually improved from a net investment of $85.9 million at March 31, 2009 to a net investment of $112.2 million at March 31, 2013.

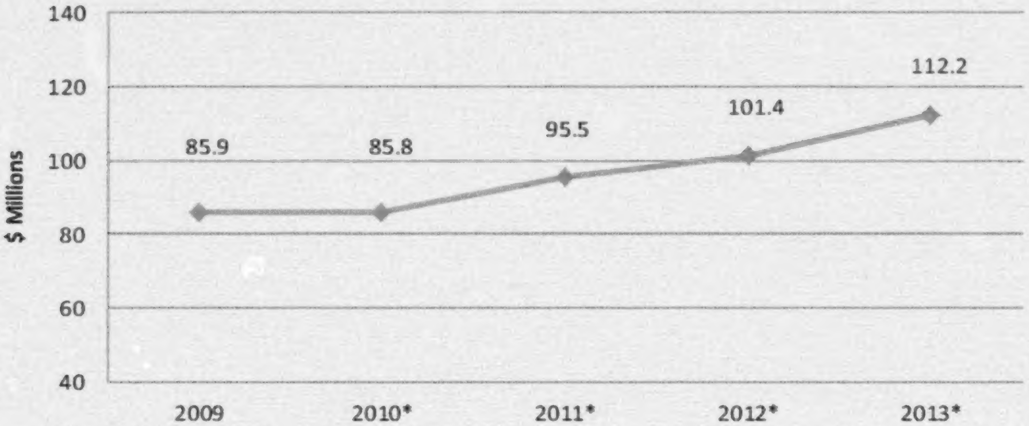
As publicly accountable enterprises, GBEs follow International Financial Reporting Standards (IFRS). Four of the Province's GBEs converted their accounting principles to IFRS effective January 1, 2011 and prepared their 2012 financial statements including comparative information for 2011 in compliance with IFRS for the first time. In addition to this conversion to IFRS, Nova Scotia Liquor Corporation changed the presentation of its payable to the Minister of Finance from a liability to equity on a retroactive basis.

During the current year, Nova Scotia Gaming Corporation changed its name to Nova Scotia Provincial Lotteries and Casino Corporation. Effective April 1, 2012, Government Not-For-Profit Organizations (GNFPOs) adopted public sector accounting standards (PSAS) on a retroactive basis. As a result, Capital District Health Authority identified and consolidated the Queen Elizabeth II Health Sciences Centre Auxiliary as a GBE under its control. This GBE operates as Partners for Care.

Over the past five years, the Province's investment in its GBEs increased by $26.3 million. Net equity of the Halifax-Dartmouth Bridge Commission increased $40.8 million, Highway 104 Western Alignment Corporation increased $1.4 million, Nova Scotia Provincial Lotteries and Casino Corporation decreased $16.8 million, and Nova Scotia Liquor Corporation increased $0.9 million. The equity of Partners for Care was $7.0 thousand at the end of 2013.

More detailed information about the Province's GBEs is provided in Schedule 6 of the Public Accounts on page 105 of this publication.

Investment in GBEs - 5 Year Trend



** Prepared in accordance with International Financial Reporting Standards (IFRS).*
All prior year balances have been restated to conform with this year's presentation format.

Liabilities

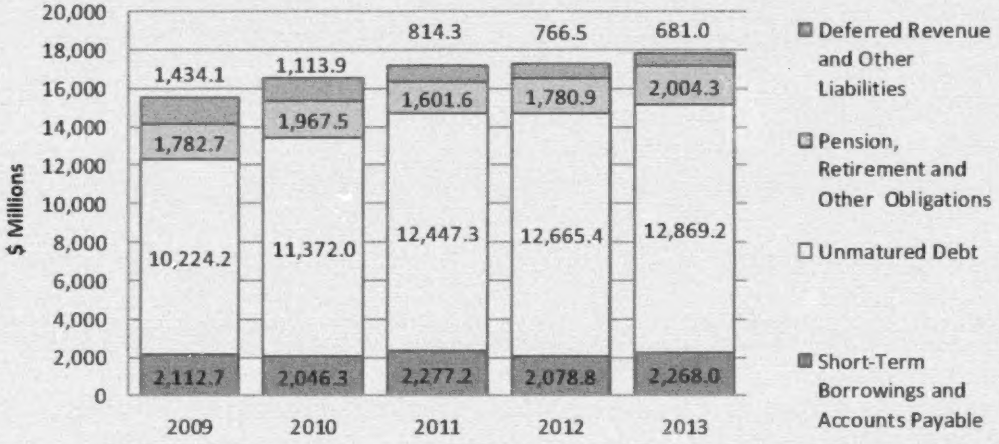
Liabilities, consisting of debts or monetary obligations owing at March 31, 2013 to be paid in the future with cash or other assets, increased by $530.9 million over the previous year to $17.8 billion. Pension, retirement and other obligations, which include recognition of accumulated sick leave benefits for the first time by the Province's District Health Authorities and Nova Scotia Community College, increased by $223.4 million due to changes in external valuations including updated member data, actuarial assumptions, and plan amendments. Unmatured debt increased by $203.8 million over the previous year due primarily to $1,359.5 million of debt issued mostly by the General Revenue Fund. This was to take advantage of favourable financial market conditions and historically low interest rates to pre-borrow for future years as well as to fund the annual deficit, finance the activities of crown corporations, acquire tangible capital assets, and refinance maturing debt. These borrowings were offset by $999.7 million in debt repayments. Short-term borrowings increased by $145.2 million over the previous year. These increases were offset by decreases of $33.5 million in deferred revenue and $8.0 million in other liabilities.

Information on deferred revenue is provided in Note 5 of the Public Accounts on page 83.

Liabilities
($ thousands)

	Actual 2013	% of Total	Actual 2012 *(as restated)*	% of Total	Variance Increase (Decrease)
Bank Advances and Short-Term Borrowings	550,440	3.1%	405,215	2.3%	145,225
Accounts Payable and Accrued Liabilities	1,717,548	9.6%	1,673,587	9.7%	43,961
Deferred Revenue	245,339	1.4%	278,867	1.6%	(33,528)
Unmatured Debt	12,869,245	72.3%	12,665,417	73.3%	203,828
Pension, Retirement and Other Obligations	2,004,336	11.2%	1,780,946	10.3%	223,390
Other Liabilities	435,647	2.4%	487,653	2.8%	(52,006)
Total Liabilities	17,822,555	100.0%	17,291,685	100.0%	530,870

Liabilities - 5 Year Trend

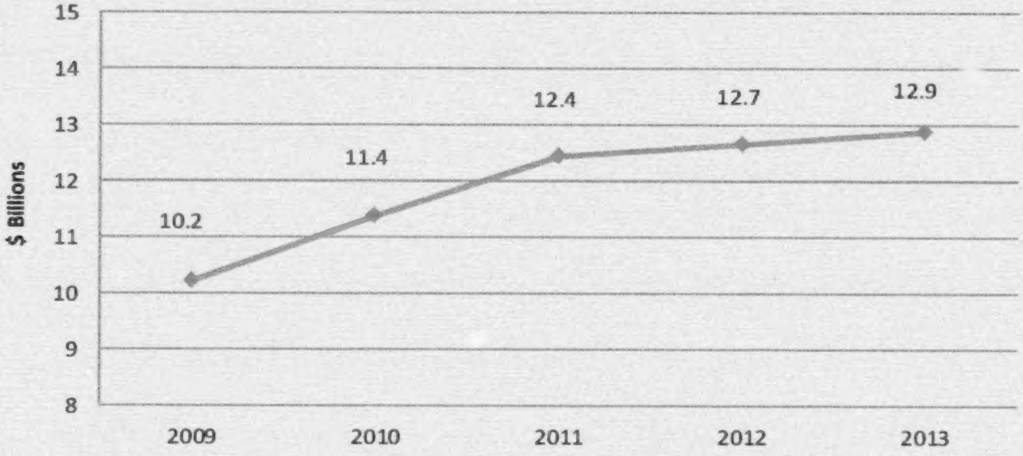


Unmatured Debt

Unmatured debt increased to $12.9 billion as at March 31, 2013, of which $12.7 billion is attributable to the General Revenue Fund, $202.1 million to Nova Scotia Housing Development Corporation, and $11.3 million to other controlled entities.

Over the past five years, unmatured debt increased from a low of $10.2 billion in 2009 to a high of $12.9 billion in 2013.

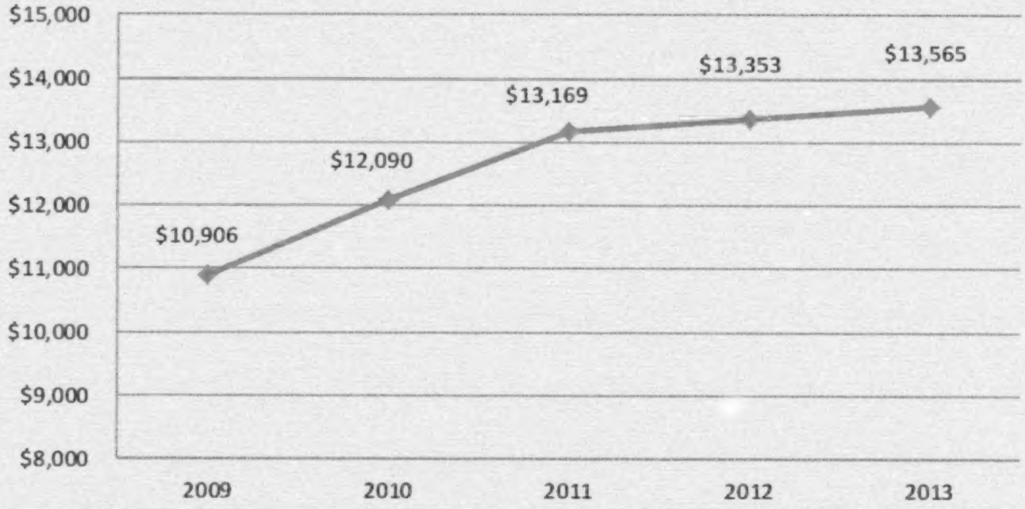
Unmatured Debt - 5 Year Trend



Unmatured Debt per Capita

Unmatured debt increased $212 per capita from $13,353 in 2012 to $13,565 in 2013. Over the past five years, unmatured debt per capita ranged from a low of $10,906 in 2009 to a high of $13,565 in 2013, an increase of $2,659 per capita during that period.

Unmatured Debt per Capita - 5 Year Trend



Credit Ratings

The Province of Nova Scotia's credit ratings were confirmed by two major credit rating agencies during 2012 and by Dominion Bond Rating Service (DBRS) in 2013. Standard and Poor's confirmed the Province's credit rating at "A+" (stable outlook) in July 2012, and Moody's Investor Services Inc. confirmed the rating at "Aa2" (stable outlook) in September 2012. In July 2013, DBRS upgraded the Province's credit rating to "A(high)" with a stable outlook. The following table details these Nova Scotia ratings relative to its provincial peers. Note that (neg) refers to a negative outlook and (pos) a positive outlook, indicating the rating agency may change the respective province's credit rating over the next year.

Credit Ratings

Province	Moody's Investors Service Inc.	Standard and Poor's	Dominion Bond Rating Service
Nova Scotia	Aa2	A+	A (high)
Newfoundland and Labrador	Aa2	A+	A
Prince Edward Island	Aa2	A	A (low)
New Brunswick	Aa2	A+	A (high)
Quebec	Aa2	A+	A (high)
Ontario	Aa2	AA-(neg)	AA (low)
Manitoba	Aa1	AA	A (high)
Saskatchewan	Aa1(pos)	AAA	AA
Alberta	Aaa	AAA	AAA
British Columbia	Aaa(neg)	AAA	AA (high)
Canada	Aaa	AAA	AAA

Capital Markets Issuance Initiatives

The Province borrows funds in capital markets on an ongoing basis to refinance maturing debt, fund budgetary deficits, acquire tangible capital assets, and lend monies to crown corporations. In broad terms, budgetary deficits act to increase the annual borrowing requirements, while surpluses serve to reduce the Province's borrowing needs. However, the relationship is not exact as there may be a number of cash flow timing differences.

The Province maintains the ability to borrow funds for future requirements should financial market conditions be favourable to do so, or may postpone borrowing in term debt markets if financial market conditions are unfavourable. The Province maintains discretionary sinking funds in the form of a pool of liquid assets to assist in the refinancing of maturing debt. Pre-borrowing for future years may add to the level of those funds. These discretionary sinking funds can only be used to repay debt.

The Province of Nova Scotia borrowed $1,348.8 million in long-term debt in 2013 through the General Revenue Fund as market conditions and opportunities, particularly for 50-year debt issuance, were very favourable. The Province's borrowing program was completed by way of a 50-year debt issuance for $1,143.0 million via private placement in four separate tranches during the fiscal year, a $150.0 million floating interest rate note, and the roll-over of $55.8 million in debentures held by the Canada Pension Plan (CPP) Investment Board. The last issue was part of the CPP Investment Board's assets that are invested in the provincial bond market and are transacted at market rates of interest. Even though a deficit was incurred and lower than planned net capital advances were made to crown corporations, the Province pre-borrowed for future years.

Financial Risk Management

In order to access global capital markets, the Province of Nova Scotia maintains the ability to borrow in currencies other than the Canadian dollar through a diversity of borrowing sources, both domestic and international. This access is a key factor in maintaining a broad demand for Nova Scotia debt issues and achieving lower borrowing costs.

Foreign Currency Risk

There were no foreign currency borrowings during the 2013 fiscal year. The Province has mitigated its exposure to foreign currency debt in recent years through the active use of derivatives where appropriate and by the accumulation of US dollar-denominated assets held in sinking funds to offset outstanding US dollar issues. As at March 31, 2013, the Province's debt continued to have no exposure to foreign currency fluctuations. This position did not change since the previous year-end at March 31, 2012.

The Province's sinking funds held no assets in US dollars as at March 31, 2013, other than the Province's own US dollar-denominated bonds. These funds were therefore not subject to net foreign exchange fluctuations.

Public Sector Accounting Standards require that all financial amounts in the financial statements be presented in Canadian dollars. Conversion of un-hedged foreign currency amounts outstanding is calculated annually at March 31. That conversion results in a foreign currency gain or loss from year-to-year as the currency exchange rates fluctuate. As described in Note 1(d) on page 77, the foreign exchange gains or losses on long-term financial items are amortized over the remaining life of the related item. At year-end, unamortized foreign exchange was in a net gain position of $135.0 million on the Province's Consolidated Statement of Financial Position.

Interest Rate Risk

As a net debtor in financial markets, the Province is exposed to the risks posed by movements in interest rates. The Province is exposed to interest rate risk as maturing debenture issues are refinanced at current market rates. Some exposure to fluctuating short-term rates is maintained in the debt portfolio to lower expected debt servicing costs. The Province has policies in place that set exposure limits on interest rate risk. Control is maintained over this exposure through the active management by the Province of its gross debt and sinking fund asset portfolios.

The debt portfolio's exposure to floating interest rates decreased to 9.6 per cent for the fiscal year ended March 31, 2013, down from 12.5 per cent a year earlier. The Province is able to exercise control of this variable in the portfolio by maintaining access to capital markets and through the use of derivatives. With 90.4 per cent of the total principal in fixed interest rate form (2011 - 87.5 per cent), there is expected to be a significant degree of stability in debt servicing costs in coming years. At March 31, 2013, the average term to maturity of the gross debt portfolio stood at 16.2 years, up 2.6 years from a year earlier due to the long-term issuance during the 2013 fiscal year.

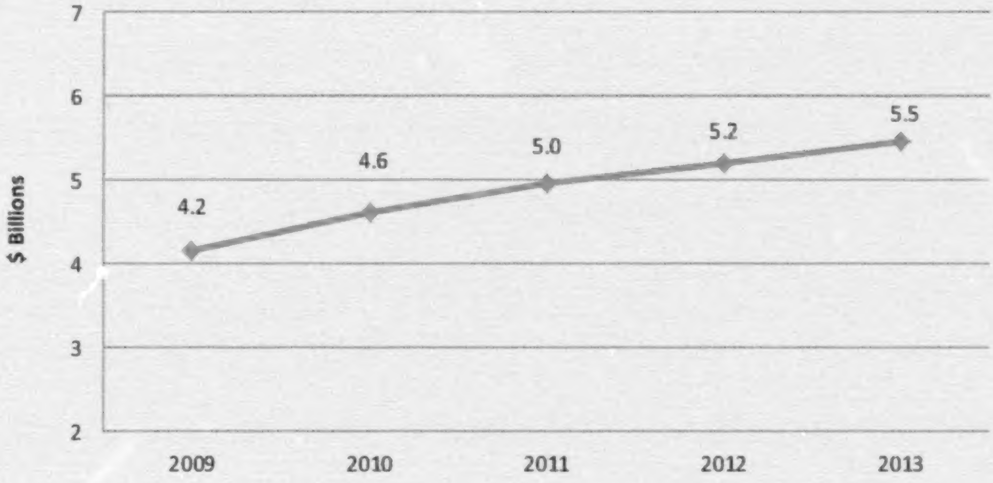
Non-Financial Assets

Non-financial assets are a component of the Province's financial position and are assets to be used during the provision of services in the future. Non-financial assets consist primarily of tangible capital assets but also include inventories of supplies and prepaid expenses. Total non-financial assets increased by $268.3 million from $5.2 billion at March 31, 2012 to $5.5 billion at March 31, 2013. Over the past five years, total non-financial assets increased from $4.2 billion at the end of 2009 to $5.5 billion at the end of 2013, largely in the form of tangible capital asset acquisitions.

Non-Financial Assets
($ thousands)

	Actual 2013	% of Total	Actual 2012	% of Total	Variance Increase (Decrease)
Tangible Capital Assets	5,400,182	98.6%	5,122,215	98.4%	277,967
Inventories of Supplies	52,481	1.0%	57,039	1.1%	(4,558)
Prepaid Expenses	19,436	0.4%	24,513	0.5%	(5,077)
Total Non-Financial Assets	5,472,099	100.0%	5,203,767	100.0%	268,332

Non-Financial Assets - 5 Year Trend



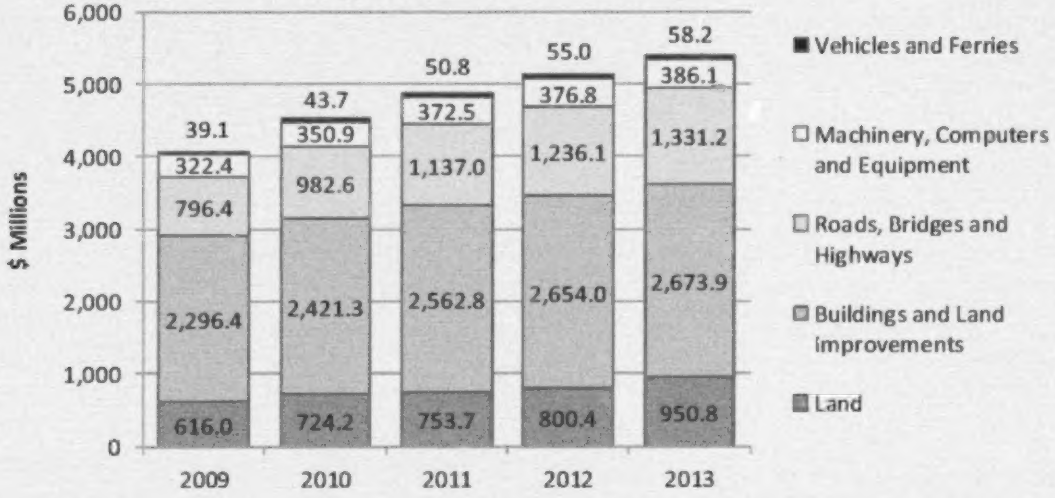
Tangible Capital Assets

The net book value (acquisition cost less accumulated amortization) of tangible capital assets is a significant asset to the Province, totaling $5.4 billion at the end of 2013, an increase of $278.0 million from the end of the previous fiscal year. The Buildings and Land Improvements asset class includes all of the provincially owned buildings, schools, and hospitals, as well as a large number of leased schools and the correctional forensic facility.

Tangible Capital Assets (Net Book Value)
($ thousands)

	Actual 2013	% of Total	Actual 2012	% of Total	Variance Increase (Decrease)
Land	950,832	17.6%	800,385	15.6%	150,447
Buildings and Land Improvements	2,673,861	49.4%	2,653,991	51.8%	19,870
Roads, Bridges and Highways	1,331,208	24.7%	1,236,059	24.1%	95,149
Machinery, Computers and Equipment	386,117	7.2%	376,769	7.4%	9,348
Vehicles and Ferries	58,164	1.1%	55,011	1.1%	3,153
Total Tangible Capital Assets	5,400,182	100.0%	5,122,215	100.0%	277,967

Tangible Capital Assets - 5 Year Trend

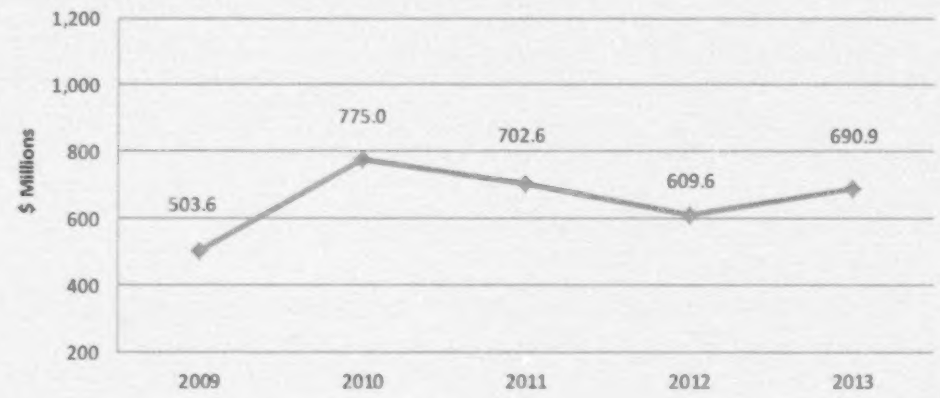


Acquisition of Tangible Capital Assets

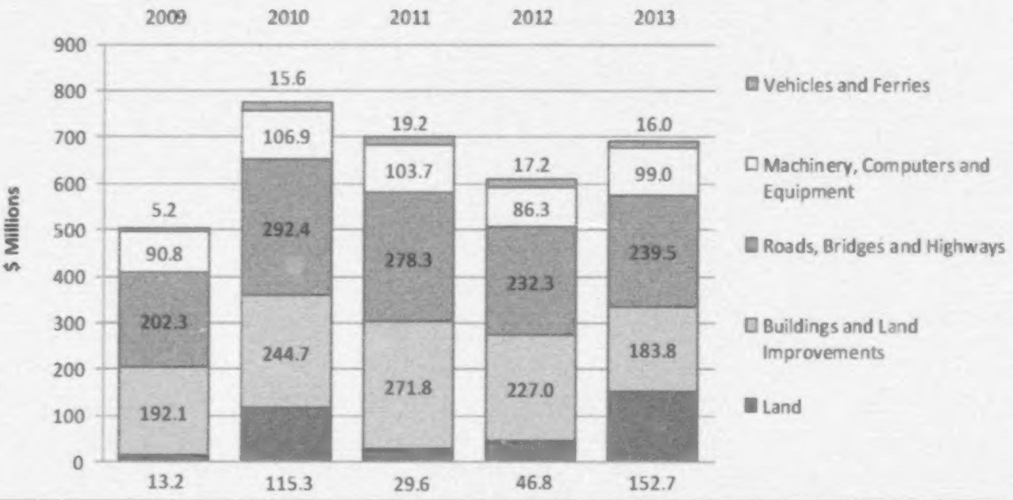
Acquisitions and transfers of tangible capital assets totaled $690.9 million in 2013 compared to $609.6 million in 2012. Additions to buildings and land improvements totaled $183.8 million (2012 - $227.0 million), of which $122.0 million related to the construction and improvement of buildings in the General Revenue Fund, $46.6 million related to the District Health Authorities, $11.0 million related to social housing, and $4.2 million related to other additions made by various governmental units.

Total investments in land were $152.7 million (2012 - $46.8 million) and total investments in roads, bridges and highways were $239.5 million (2012 - $232.3 million). Additions to machinery, computers and equipment during the current year were $99.0 million (2012 - $86.3 million), of which $47.6 million was attributable to the General Revenue Fund, $48.7 million to the District Health Authorities, and $2.7 million to various other governmental units. Over the past five years, acquisitions of tangible capital assets ranged from a low of $503.6 million in 2009 to a high of $775.0 million in 2010.

Tangible Capital Assets (Acquisitions at Gross Cost)



5 Year Trend (By TCA Category)



Cash Flows

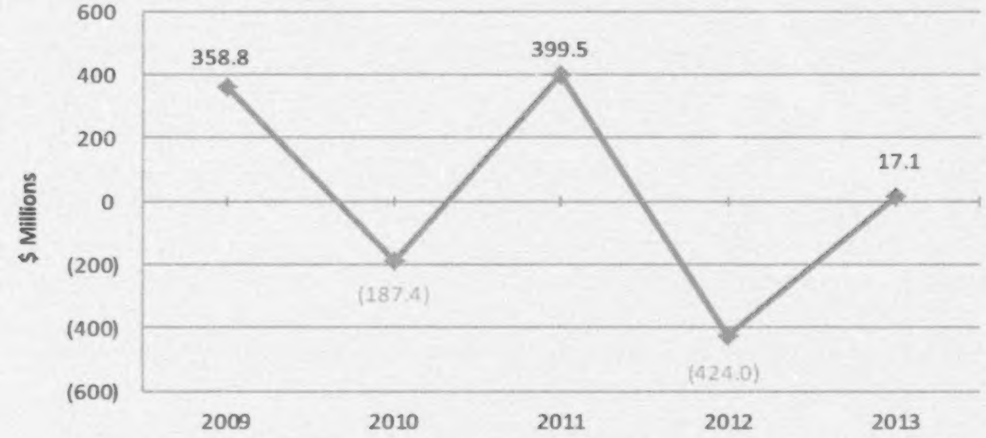
The Province records its transactions on an accrual basis in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector, the timing of which may vary from when actual cash is paid or received. The Consolidated Statement of Cash Flow (Statement 4) on page 74 of this publication details the increases and decreases in the Province's cash flows in terms of the sources and uses of cash identified within the following activities: operating, investing, capital, and financing.

During 2013, the Province's overall cash position increased by $17.1 million. Cash inflows of $451.7 million were generated from operating activities and $266.3 million from financing activities related to debt issuances. Cash outflows were used to purchase $690.9 million in tangible capital assets, $458.9 million in investments offset by $391.0 million in loan repayments, and $57.9 million in other net cash inflows.

Cash Flows by Activity
($ thousands)

	Actual 2013	Actual 2012 *(as restated)*	Variance Increase (Decrease)
Operating	451,694	(92,198)	543,892
Investing	(25,520)	(121,689)	96,169
Capital	(675,388)	(607,400)	(67,988)
Financing	266,330	397,279	(130,949)
Net Inflows (Outflows)	17,116	(424,008)	441,124

Net Cash Flows - 5 Year Trend



Risk

The Province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets. Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 1(e) of the consolidated financial statements on page 79 of this publication. Financial risks, including foreign currency risk and interest rate risk, are also discussed on page 39 as well as in Note 13 of the Public Accounts on page 92.

NOVA SCOTIA

SELECTED HIGHLIGHTS OF THE GENERAL REVENUE FUND

for the fiscal year ended March 31, 2013

Selected Highlights of the General Revenue Fund
($ thousands)

	Estimate 2013	Actual 2013	Actual 2012 (as restated)
General Revenue Fund *			
Revenues			
Ordinary Revenue	8,350,830	8,328,551	8,018,568
Ordinary Recoveries	568,490	551,397	600,849
Net Income from Government Business Enterprises	350,993	352,097	369,370
	9,270,313	9,232,045	8,988,787
Expenses			
Departmental Expenses	8,534,646	8,451,082	8,235,372
Tax Credits and Rebates	73,500	127,145	116,510
Pension Valuation Adjustment	71,485	107,370	40,041
Debt Servicing Costs	881,701	897,371	842,793
	9,561,332	9,582,968	9,234,716
	(291,019)	(350,923)	(245,929)
Consolidation and Accounting Adjustments for Government Units			
General Revenue Fund Consolidation Adjustments	81,550	(15,128)	15,692
Health and Hospital Boards Operations	—	24,319	43,553
School Board Operations	—	8,880	(4,215)
Special Purpose Funds	(637)	(970)	1,381
Other Organizations	(1,094)	31,331	(69,471)
	79,819	48,432	(13,060)
Provincial Deficit	(211,200)	(302,491)	(258,989)

* *The General Revenue Fund is comprised of the Province's departments and public service units, but excludes other governmental units and government business enterprises owned or controlled by the Province.*

NOVA SCOTIA

Revenue — General Revenue Fund

In total, revenue of the General Revenue Fund for the fiscal year ending March 31, 2013 was $38.3 million or 0.4 per cent lower than estimate and $243.3 million or 2.7 per cent higher than the prior year. The table below shows the current year estimate, current and prior year actual revenue, and current year variances compared to estimate and to prior year. The analysis that follows this table includes explanations, by source, for the more significant variances.

Revenue
($ thousands)

	Estimate 2013	Actual 2013	Actual 2012	Actual vs Estimate Increase (Decrease)	Actual vs Actual Increase (Decrease)
Provincial Sources			*(as restated)*		
Tax Revenue					
Personal Income Tax	2,195,300	2,142,547	2,057,592	(52,753)	84,955
Corporate Income Tax	398,450	429,493	416,665	31,043	12,828
Harmonized Sales Tax	1,642,900	1,648,664	1,598,236	5,764	50,428
Tobacco Tax	211,000	206,287	208,631	(4,713)	(2,344)
Motive Fuel Tax	254,100	243,446	250,186	(10,654)	(6,740)
Other Provincial Revenue					
Registry of Motor Vehicles	110,279	113,434	117,084	3,155	(3,650)
Petroleum Royalties	27,672	22,748	117,955	(4,924)	(95,207)
Offshore Licenses Forfeitures	—	100	—	100	100
Other Provincial Sources	282,216	285,899	308,219	3,683	(22,320)
TCA Cost Shared Revenue	3,625	9,131	3,433	5,506	5,698
Prior Years' Adjustments	—	57,667	(63,589)	57,667	121,256
Fees and Other Charges	67,598	68,679	70,842	1,081	(2,163)
Ordinary Recoveries	276,422	303,963	293,886	27,541	10,077
Gain on Disposal of Crown Assets	—	15,389	2,144	15,389	13,245
Net Income from Government Business Enterprises	350,993	352,097	369,370	1,104	(17,273)
Investment Income					
Interest Revenue	74,070	76,251	82,011	2,181	(5,760)
Sinking Fund Earnings	108,348	111,146	106,768	2,798	4,378
Total Provincial Sources	6,002,973	6,086,941	5,939,433	83,968	147,508
Federal Sources					
Equalization Payments	1,593,820	1,578,829	1,407,242	(14,991)	171,587
Canada Health Transfer	796,959	795,017	759,934	(1,942)	35,083
Canada Social Transfer	321,943	322,957	315,916	1,014	7,041
Crown Share	19,628	12,916	30,053	(6,712)	(17,137)
Offshore Accord	146,059	146,059	167,755	—	(21,696)
Other Federal Sources	12,925	7,454	10,392	(5,471)	(2,938)
Wait Times Reduction Transfer	6,787	6,808	6,859	21	(51)
C50 Public Safety Trust	4,000	4,000	—	—	4,000
C52 Trust Funds	—	—	730	—	(730)
Knowledge Infrastructure Program	—	—	4,951	—	(4,951)
TCA Cost Shared Revenue	73,151	24,470	38,995	(48,681)	(14,525)
Ordinary Recoveries	292,068	247,434	306,963	(44,634)	(59,529)
Prior Years' Adjustments	—	(840)	(436)	(840)	(404)
Total Federal Sources	3,267,340	3,145,104	3,049,354	(122,236)	95,750
Total Revenues	9,270,313	9,232,045	8,988,787	(38,268)	243,258

Revenue Variance Analysis — General Revenue Fund

Personal Income Tax

Personal Income Tax (PIT) revenue was $52.8 million or 2.4 per cent lower than estimate mainly as a result of a 1.0 per cent decline in the forecasted growth of 2012 personal taxable income due to weaker labour income, as well as a decline of 0.2 per cent in yield growth in both 2012 and 2013. In addition, the cost of personal income tax credits increased since the Graduate Retention Rebate experienced a higher than anticipated actual uptake.

PIT revenue was $85.0 million or 4.1 per cent higher than the prior year mainly due to the continued strengthening of yield growth and the recent trend of personal taxable income growing by more than 4.0 per cent a year.

Corporate Income Tax

Corporate Income Tax (CIT) revenue was $31.0 million or 7.8 per cent higher than estimate primarily as a result of reclassifying $52.4 million of refundable corporate income tax credits to expenses due to the adoption of Public Sector Accounting Standard PS 3510. This change was partly offset by a decline in the growth of national corporate taxable income in 2012 resulting in a lower share and yield for the Province.

CIT revenue was $12.8 million or 3.1 per cent higher than the prior year. Nova Scotia's share of national corporate taxable income has been on the rise partly offset by the impact of a further reduction in the small business corporate income tax rate.

Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was $5.8 million or 0.4 per cent higher than estimate and $50.4 million or 3.2 per cent higher than the prior year as a result of growth in the consumer expenditure and residential housing investment tax bases slightly offset by higher point-of-sale (POS) rebates, including the residential energy rebate.

Tobacco Tax

Tobacco Tax revenue was $4.7 million or 2.2 per cent lower than estimate and 2.3 million or 1.1 per cent lower than the prior year mainly due to consumption of cigarettes being lower than anticipated by 1.9 per cent and lower than prior year by 2.6 per cent as volume did not grow year-over-year. Cigarettes account for more than 90.0 per cent of consumption volume in the forecast. Consumption of fine cut tobacco also declined. Consumptions have declined as a result of tobacco price increases and long-term cessation trends. Growth in the Consumer Price Index for tobacco products was also slower than the previous fiscal year.

Motive Fuel Tax

Motive Fuel Tax revenue was $10.7 million or 4.2 per cent lower than estimate and $6.7 million or 2.7 per cent lower than the prior year as a result of a decline in the consumption of both gasoline and diesel oil due to higher than anticipated retail prices. Gasoline consumption was 2.6 per cent lower than estimate and 1.9 per cent lower than the prior year. Diesel oil consumption was 5.6 per cent lower than estimate and 2.5 per cent lower than the prior year. World market prices for oil moderated during the year, but this was partially offset by a weakening Canadian dollar compared to the US dollar. The slowing year-over-year rate of labour income also contributed to the decreases in consumption.

Petroleum Royalties

Offshore Petroleum Royalties were $4.9 million or 17.8 per cent lower than estimate and $95.2 million or 80.7 per cent lower than the prior year. The decrease from estimate was due to an increased accrual for abandonment costs on the Sable Offshore Energy Project and the delay in the commencement of production on the Deep Panuke Project, whereby $2.5 million had been budgeted in revenues for Deep Panuke. The decrease from prior year was related to declining production volumes from the Sable Offshore Energy Project and the accrual of abandonment costs to be incurred by interest holders.

Offshore Licenses Forfeitures

Offshore License Forfeitures were $0.1 million higher than the prior year. Forfeiture is not unusual given the unpredictable nature of the offshore industry. The Province's accounting policy is to record forfeiture revenue when a notice of forfeiture is given. Offshore Licenses Forfeitures are not budgeted because they cannot be reasonably predicted.

Other Provincial Sources

Other Provincial Sources were $3.7 million or 1.3 per cent higher than estimate. Other Provincial Sources were $22.3 million or 7.2 per cent lower than the prior year primarily due to the elimination of the Capital Tax on Non-Financial Institutions and a reduction in Corporation Capital Tax. The Capital Tax on Non-Financial Institutions decreased by $15.2 million as the tax was eliminated effective July 1, 2012 and only three months of revenue was collected in the current fiscal year. The revenue from the Corporation Capital Tax decreased by $10.0 million as a result of banks holding less capital on which they are taxed due to higher dividends and IFRS reporting resulting in lower adjusted tax bases used to calculate the tax. These decreases were slightly offset by net increases of $2.9 million in other various tax revenues.

TCA Cost Shared Revenue — Provincial Sources

TCA Cost Shared Revenue from Provincial Sources was $5.5 million or 151.9 per cent higher than estimate and $5.7 million or 166.0 per cent higher than the prior year as a result of higher municipal funding received for school construction projects.

Prior Years' Adjustments — Provincial Sources

Prior Years' Adjustments (PYAs) from Provincial Sources were $57.7 million reflective of updates to the Province's economic forecast and federal government information on forecasted tax yields of PIT and CIT, revisions to HST forecasts for open years, and revenue forecast updates to large corporations tax and offshore petroleum royalties.

PYAs are not budgeted because they cannot be reasonably estimated. The sources of the PYA revenue in the current fiscal year were attributable to: -$14.0 million for PIT, $4.6 million for CIT, $80.7 million for HST, -$19.2 million for offshore petroleum royalties, $1.6 million for miscellaneous PYAs, and $4.0 million for large corporations capital tax. The current year and PYA revenues are reported on Schedule 1 of the Public Accounts on page 96 as follows:

($ thousands)	2013			2012		
	Current	PYA	Total	Current	PYA	Total
Personal Income Tax	2,142,547	(14,049)	2,128,498	2,057,592	1,977	2,059,569
Corporate Income Tax	429,493	4,585	434,078	416,665	(76,950)	339,715
Harmonized Sales Tax	1,648,664	80,680	1,729,344	1,598,236	(105)	1,598,131
Petroleum Royalties	22,748	(19,213)	3,535	117,955	(5,275)	112,680
Miscellaneous *	—	1,616	1,616	—	3,852	3,852
Large Corporations Tax *	3,777	4,048	7,825	18,955	12,912	31,867

** Included in Other Tax Revenue on Schedule 1 of the consolidated financial statements*

Ordinary Recoveries — Provincial Sources

Ordinary Recoveries from Provincial Sources were $27.5 million or 10.0 per cent higher than estimate and $10.1 million or 3.4 per cent higher than the prior year mainly due to the receipt of unbudgeted items, comprised mostly of recoveries from long-term care accommodations and $5.2 million from an HST recovery. Other increases related to the recovery of past expenses paid to a third party relating to the sale of the Port Hawkesbury paper mill and recoveries from municipalities for their portion of the RCMP severance in regards to a federal government policy change.

Equalization Payments

Equalization payments were $15.0 million or 0.9 per cent lower than estimate as a result of a decline in the expected payment for the cumulative-best-of guarantee. Equalization payments were $171.6 million or 12.2 per cent higher than the prior year mainly due to a $214.6 million increase in payments under the cumulative-best-of guarantee. This was offset by a decline in the Total Transfer Protection payment made by the federal government.

Canada Health Transfer

Canada Health Transfer (CHT) payments were $1.9 million or 0.2 per cent lower than estimate. CHT payments were $35.1 million or 4.6 per cent higher than the prior year primarily as the result of the legislated 6.0 per cent annual escalator in the national pool of cash available for distribution. This was partially offset by a decline in the Province's share of the national population as well as a slight strengthening of the corporate and personal income tax bases over the previous fiscal year.

Canada Social Transfer

Canada Social Transfer (CST) payments were $1.0 million or 0.3 per cent higher than estimate. CST payments were $7.0 million or 2.2 per cent higher than the prior year as the result of the legislated 3.0 per cent annual escalator in the national pool of cash available for distribution. This was partially offset by a decline in the Province's share of the national population.

Crown Share

The Crown Share Adjustment Payment was $6.7 million or 34.2 per cent lower than estimate and $17.1 million or 57.0 per cent lower than the prior year as a result of declining production and revenues from the Sable Offshore Energy Project, which reflects the declining value of the offshore natural resource revenues.

Offshore Accord

Offshore Accord payments are calculated based on the one-estimate/one-payment approach and are not re-estimated during the fiscal year. The Offshore Accord Payment was $21.7 million or 12.9 per cent lower than the prior year as a result of a decline in offshore natural resource revenues included in the weighted average calculation of Equalizations.

TCA Cost Shared Revenue — Federal Sources

Federal TCA Cost Shared Revenue was $48.7 million or 66.5 per cent lower than estimate as a result of the following: $36.6 million of the Provincial-Territorial Base Funding agreement relating to the new convention centre was deferred in accordance with the terms of the agreement, base funding from highway projects was reduced by $2.5 million, Building Canada funding decreased by $8.0m due to project delays and changes, and $1.6 million related to various other departments.

Federal TCA Cost Shared Revenue was $14.5 million or 37.2 per cent lower than the prior year mainly due to $9.3 million related to the wind-down or completion of capital projects in Health and Wellness for the Emergency Health Record, Drug Information System, and Radiation Therapy. Other decreases included $1.5 million in Communities, Culture and Heritage, $2.6 million in Labour and Advanced Education, and $1.1 million in various other departments.

Ordinary Recoveries — Federal Sources

Ordinary Recoveries from Federal Sources were $44.6 million or 15.3 per cent lower than estimate and $59.5 million or 19.4 per cent lower than the prior year mainly due to the removal of recoveries from the General Revenue Fund related to the Nova Scotia Housing Development Corporation. This reduction was offset by an increase in the recognition of revenue related to gas tax funding to municipalities as a result of the adoption of PS 3410[1] on Government Transfers in the current year, as well as other increases in Health and Wellness of $5.1 million and Education of $2.1 million.

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[1] *Refer to end note on page 57*

Prior Years' Adjustments — Federal Sources

Prior Years' Adjustments (PYAs) from Federal Sources were -$0.8 million as the impact of population re-estimates for open years of the CHT and CST were less significant. PYAs are not budgeted because they cannot be reasonably estimated.

The sources of the PYA revenue in the current fiscal year were attributable to: -$1.8 million for Canada Health Transfer and $0.9 million for Canada Social Transfer. The related current year federal revenues and PYAs are reported on Schedule 1 of the Public Accounts on page 96 as follows:

($ thousands)			**2013**			**2012**
	Current	**PYA**	**Total**	**Current**	**PYA**	**Total**
Canada Health Transfer	795,017	(1,780)	793,237	759,934	(993)	758,941
Canada Social Transfer	322,957	940	323,897	315,916	557	316,473

Departmental Expenses — General Revenue Fund

Overall, departmental expenses of the General Revenue Fund for the fiscal year ended March 31, 2013 were $83.6 million or 1.0 per cent lower than estimate. The table below shows the current year estimate, current and prior year actual expenses, and current year variance compared to estimate. The analysis that follows this table includes explanations, by department, for the more significant variances.

Departmental Expenses
($ thousands)

Department	Estimate 2013	Actual 2013	Actual 2012	Actual vs Estimate Increase (Decrease)
Agriculture	63,949	63,760	63,704	(189)
Communities, Culture and Heritage	58,665	57,182	54,236	(1,483)
Community Services	977,924	941,824	975,572	(36,100)
Economic and Rural Development and Tourism	187,353	171,878	107,709	(15,475)
Education	1,112,830	1,110,600	1,131,055	(2,230)
Energy	29,568	29,305	30,202	(263)
Environment	26,385	24,737	26,652	(1,648)
Finance	38,990	37,664	33,552	(1,326)
Fisheries and Aquaculture	8,799	8,474	8,284	(325)
Health and Wellness	3,861,513	3,857,460	3,757,896	(4,053)
Justice	306,723	311,631	295,490	4,908
Labour and Advanced Education	346,208	345,474	339,072	(734)
Assistance to Universities	347,619	380,847	387,215	33,228
Natural Resources	95,685	99,354	101,245	3,669
Public Service	174,314	149,038	165,803	(25,276)
Seniors	1,871	1,748	1,866	(123)
Service Nova Scotia and Municipal Relations	275,909	269,607	260,017	(6,302)
Transportation and Infrastructure Renewal	421,617	419,286	408,853	(2,331)
Restructuring Costs	198,724	171,213	86,949	(27,511)
Total Departmental Expenses	8,534,646	8,451,082	8,235,372	(83,564)

Request for final additional appropriations for year-end adjustments must be submitted to the Governor-in-Council no later than 15 days after the date of the tabling of these Public Accounts. These amounts are summarized by appropriation on pages 60 and 61.

The consolidation of departmental expenses with that of governmental units provides the total expenses for which government is accountable. This table provides the expenses by department prior to the consolidation, as compared to the prior fiscal year and the budget, which are the estimates as approved by the Legislature in the annual *Appropriations Act*.

Expense Variance Analysis — General Revenue Fund

Communities, Culture and Heritage

Department of Communities, Culture and Heritage expenses were $1.5 million or 2.5 per cent lower than estimate primarily due to $1.2 million in amortization savings related to the Bluenose II and $0.3 million in savings from staff vacancies throughout the department.

Community Services

Department of Community Services expenses were $36.1 million or 3.7 per cent lower than estimate primarily due to the removal of $69.9 million of expenses from the General Revenue Fund related to Nova Scotia Housing Development Corporation (NSHDC). As a result, only the provincial share of NSHDC expenses were reported in the department. Other areas contributing to the variance are lower spending of $3.1 million in Family and Children Services due to declining caseloads in the Child Welfare Maintenance program and Early Learning and Child Care expenditures, and $2.2 million in administration.

These savings were partially offset by increased spending of $31.4 million in program expenditures due to the adoption of PS 3410[1], $6.0 million in Services for Persons with Disabilities due primarily to rising costs per case from increased case complexities, and $1.7 million in Employment Support and Income Assistance primarily due to caseloads not declining at the budgeted rate.

Economic and Rural Development and Tourism

Department of Economic and Rural Development and Tourism expenses were $15.5 million or 8.3 per cent lower than estimate primarily due to spending being under budget in the following areas: $6.3 million in the Productivity Investment Program due to the timing of claims for reimbursement, $4.3 million from project delays on the Waterfront Development Corporation Ltd. Queen's Landing development, $2.3 million from the Nova Scotia Jobs Fund due to the timing of investments, $1.5 million from the JobsHere programs due to delays in implementing programs during the year, and $1.1 million from staff vacancies and administrative operational savings throughout the department.

Education

Department of Education expenses were $2.2 million or 0.2 per cent lower than estimate primarily due to savings of $2.6 million from lower amortization expense as the result of delays in capital projects, $2.0 million from lower expenses due to operational efficiencies within the department, $1.3 million due to the delay in the Business Integration Initiative project, $1.2 million from lower expenses for IT licenses and consultants, and $1.1 million from staff vacancies.

These savings were partially offset by a $2.4 million increase in IT grants to school boards, $2.1 million increase in French language grants, and $1.5 million increase in pension contributions.

Environment

Department of Environment expenses were $1.6 million or 6.2 per cent lower than estimate primarily due to staff vacancies net of miscellaneous pressures.

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[1] *Refer to end note on page 57*

Health and Wellness

Department of Health and Wellness expenses were $4.1 million or 0.1 per cent lower than estimate primarily due to spending being under budget in the following areas: $11.3 million in capital grant spending due to construction delays; $7.8 million in Long-Term Care due to delays in opening beds and increases in accommodation contributions; $4.8 million in Pharmaceutical Services mainly due to brand drugs switching to generic earlier than anticipated; $4.4 million in administration due to staff vacancies, funding transfers to programs, and operational efficiencies; $3.5 million in Primary Care Program due to delays in timing of initiatives and lower than expected 811 call volume; and $1.9 million in Emergency Health Services mainly due to adjustments in opening dates for Collaborative Emergency Centers and operational savings.

These savings were partially offset by increases of $13.0 million in grants to District Health Authorities due to pension increases, contract wage settlements, and operational pressures. Physician Services was over spent by $11.8 million due to the adoption of PS 3410[1], additional medical education seats, and other initiatives. Insured Services was over spent by $3.9 million due to increased utilization of out-of-province services. In addition, Home Care and Other Programs were over spent by $0.9 million due to tariff and utilization increases.

Justice

Department of Justice expenses were $4.9 million or 1.6 per cent higher than estimate primarily due to the $3.3 million provincial portion of RCMP severance as a result of a federal government policy change, flooding in Colchester and Cumberland Counties resulting in partially recoverable costs of $1.8 million, and a recent conversion of RCMP services, by three towns, to the Provincial Police Service Agreement resulting in fully recoverable costs of $1.8 million. The pressures were partially offset by operational efficiencies of $2.0 million.

Assistance to Universities

Assistance to Universities expenses were $33.2 million or 9.6 per cent higher than estimate primarily due to the 2013-14 operating grants totaling $34.6 million for Nova Scotia College of Art and Design (NSCAD) and Acadia University being advanced in 2012-13.

Natural Resources

Department of Natural Resources expenses were $3.7 million or 3.8 per cent higher than estimate primarily due to a forestry sector agreement under the new ownership of the Port Hawkesbury paper mill that resulted in partially recoverable expenses of $3.8 million.

Public Service

In total, Public Service expenses were $25.3 million or 14.5 per cent lower than estimate. The significant variances, which total $22.4 million, were as follows:

Chief Information Office

Chief Information Office expenses were $1.7 million or 6.0 per cent under budget due to a reduction in both amortization and operational expenses.

Executive Council

Executive Council expenses were $1.1 million or 8.7 per cent under budget due to overall savings from staff vacancies offset by operational pressures.

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[1] *Refer to end note on page 57*

Public Service (continued)

Legislative Services
Legislative Services expenses were $2.2 million or 8.0 per cent under budget primarily due to savings in constituency allowance spending of $1.6 million, Ministers' expenses savings, and overall operating efficiencies.

Nova Scotia Business Inc.
Expenses for Nova Scotia Business Inc. were $18.6 million or 67.5 per cent lower than budget primarily due to the reversal of $9.4 million in prior year loan reserves, Strategic Investment Fund client results being $6.8 million less than budgeted for payroll rebates, and the reversal of prior year Strategic Investment Fund accruals of $2.4 million.

Public Prosecution Service
Public Prosecution Service expenses were $1.2 million or 5.9 per cent higher than budget primarily due to salary and operational pressures.

Service Nova Scotia and Municipal Relations

Department of Service Nova Scotia and Municipal Relations expenses were $6.3 million or 2.3 per cent lower than estimate primarily due to spending being under budget in the following areas: Building Canada Fund of $8.9 million, the Petroleum Product Volume Tracking of $2.3 million, Heating Assistance Rebate of $2.1 million, and other program areas of $3.1 million.

These savings were partially offset by $10.1 million in increased spending for Federal Gas Tax Transfer due to the adoption of PS 3410[1].

Transportation and Infrastructure Renewal

Department of Transportation and Infrastructure Renewal expenses were $2.3 million or 0.6 per cent lower than estimate primarily due to administrative and operational savings of $5.8 million, a $1.8 million reduction in Public Works Special Projects spending, and a decrease of $1.7 million in amortization due to lower than expected capital project spending.

These savings were partially offset by $4.7 million in Highway and Bridge spending as a result of storm damage repairs and third party recoverable maintenance work, as well as higher than expected spending of $2.3 million in snow and ice control costs due to heavier winter conditions.

Restructuring Costs

Overall, Restructuring Costs were $27.5 million or 13.8 per cent lower than estimate due to lower than anticipated budget requirements for corporate initiatives.

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[1] ***Adoption of Public Sector Accounting Standard PS 3410 – Variance Implications***

The Province adopted PS 3410 – Government Transfers effective April 1, 2012 on a prospective basis. Transfers made are no longer recognized as an asset regardless of whether they are pre-flowed or not. As a result, grant expenses were recorded in 2012-13 that had not been included in the corresponding estimates. The resulting variances, as they relate to specific departments, are noted by departments in the expense variance analysis above.

Tangible Capital Assets – General Revenue Fund

Gross Capital Purchases

The Province's policy is to capitalize the gross cost of its tangible capital assets. Recoveries from outside sources are recognized as revenue in the year the asset is purchased. Under the Province's tangible capital assets policy, a percentage of the original cost of an asset is charged to expenses in each year of the useful life of the asset. This charge, called amortization, does not commence until the asset is available for use. Departments are required to budget for tangible capital asset purchases and the resulting amortization from the acquisition of these assets.

The costs of the estimated purchases of tangible capital assets are appropriated as the Capital Purchase Requirements, and the departmental details are noted below. Spending on Capital Purchase Requirements was $48.2 million higher than estimate primarily due to land purchases from Bowater Mersey and New Page totaling $139.7 million and other capital purchases of $9.3 million.

Reduced capital spending by departments amounted to $100.8 million. Highways and Bridges were under spent by $30.0 million as a result of lower than anticipated bridge work, partially offset by increased repaving costs. Buildings and Infrastructure were under spent by $18.1 million largely due to construction delays with the Northeast Nova Correctional Centre and lower than expected spending under the Buildings category in general. Other reduced spending included $16.6 million on school construction, $19.0 million on information technology projects, and $17.1 million in other departments.

Gross Capital Purchases
($ thousands)

Department	Estimate 2013	Actual 2013	Variance Increase (Decrease)
Agriculture	1,345	423	(922)
Communities, Culture and Heritage	1,305	3,565	2,260
Community Services	4,100	215	(3,885)
Education	109,793	88,441	(21,352)
Environment	6,730	177	(6,553)
Finance	3,523	1,439	(2,084)
Fisheries and Aquaculture	95	18	(77)
Health and Wellness	19,692	17,155	(2,537)
Justice	3,985	3,752	(233)
Natural Resources	6,600	151,169	144,569
Public Service	20,053	10,204	(9,849)
Service Nova Scotia and Municipal Relations	2,343	4,533	2,190
Transportation and Infrastructure Renewal			
Highways and Bridges	281,000	250,980	(30,020)
Buildings and Infrastructure	57,939	39,814	(18,125)
Cash Flow Contingency	5,186	—	(5,186)
Total Gross Capital Purchases	523,689	571,885	48,196

Amortization

The schedule below reflects the current year's estimate and actual amortization charged to operations of the General Revenue Fund for tangible capital assets acquired in 2013 and prior years. Amortization expense is based on the gross cost of tangible capital assets.

Amortization
($ thousands)

Department	Estimate 2013	Actual 2013	Variance Increase (Decrease)
Agriculture	283	251	(32)
Communities, Culture and Heritage	1,317	120	(1,197)
Community Services	773	923	150
Economic and Rural Development and Tourism	339	338	(1)
Education	65,782	63,229	(2,553)
Energy	2	2	-
Environment	111	120	9
Finance	7,191	6,799	(392)
Fisheries and Aquaculture	58	45	(13)
Health and Wellness	22,529	19,638	(2,891)
Justice	2,802	2,301	(501)
Labour and Advanced Education	7,647	7,733	86
Natural Resources	646	849	203
Public Service	3,640	3,052	(588)
Service Nova Scotia and Municipal Relations	2,527	1,501	(1,026)
Transportation and Infrastructure Renewal	172,304	169,754	(2,550)
Total Amortization	287,951	276,655	(11,296)

Additional Appropriations

Relative to the *Appropriations Act, 2012* for the fiscal year ended March 31, 2013

($ thousands)

Res	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriations Required
	Departmental Expenses					
1	Agriculture	63,949	–	63,760	(189)	–
2	Communities, Culture and Heritage	58,665	–	57,182	(1,483)	–
3	Community Services	977,924	–	941,824	(36,100)	–
4	Economic and Rural Development and Tourism	187,353	–	171,878	(15,475)	–
5	Education	1,112,830	5,977	1,110,600	(8,207)	–
6	Energy	29,568	–	29,305	(263)	–
7	Environment	26,385	–	24,737	(1,648)	–
8	Finance	38,990	–	37,664	(1,326)	–
10	Fisheries and Aquaculture	8,799	–	8,474	(325)	–
11	Health and Wellness	3,861,513	–	3,857,460	(4,053)	–
12	Justice	306,723	5,026	311,631	(118)	–
13	Labour and Advanced Education	346,208	–	345,474	(734)	–
14	Assistance to Universities	347,619	34,078	380,847	(850)	–
15	Natural Resources	95,685	3,815	99,354	(146)	–
16	Aboriginal Affairs	4,094	–	3,535	(559)	–
17	Chief Information Office	28,582	–	26,876	(1,706)	–
18	Communications Nova Scotia	9,216	–	8,694	(522)	–
19	Executive Council	12,434	–	11,348	(1,086)	–
20	FOIPOP Review Office	543	–	511	(32)	–
21	Government Contributions to Benefit Plans	9,484	–	8,867	(617)	
22	Human Rights Commission	2,143	–	2,140	(3)	–
23	Intergovernmental Affairs	4,679	–	3,801	(878)	–
24	Legislative Services	27,738	–	25,526	(2,212)	–
25	Nova Scotia Business Inc.	27,573	–	8,955	(18,618)	–
26	Nova Scotia Police Complaints Commissioner	426	–	426	–	–
27	Nova Scotia Securities Commission	2,660	–	2,634	(26)	–
28	Nova Scotia Utility and Review Board	2,038	–	2,038	–	–
29	Office of the Auditor General	3,634	–	3,526	(108)	–
30	Office of the Ombudsman	1,776	–	1,729	(47)	–
31	Public Prosecution Service	19,508	–	20,664	1,156	1,156
32	Public Service Commission	17,786	–	17,768	(18)	–
33	Seniors	1,871	–	1,748	(123)	–
34	Service Nova Scotia and Municipal Relations	275,909	–	269,607	(6,302)	–
35	Transportation and Infrastructure Renewal	421,617	–	419,286	(2,331)	–
36	Restructuring Costs	198,724	–	171,213	(27,511)	–
	Total Departmental Expenses	8,534,646	48,896	8,451,082	(132,460)	1,156

Additional Appropriations (continued)

Relative to the *Appropriations Act, 2012* for the fiscal year ended March 31, 2013

($ thousands)

Res	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriations Required
	Other Appropriations					
9	Debt Servicing Costs	881,701	15,113	897,371	557	557
37	Tax Credits and Rebates	73,500	50,029	127,145	3,616	3,616
38	Pension Valuation Adjustment	71,485	32,577	107,370	3,308	3,308
	Total Other Appropriations	1,026,686	97,719	1,131,886	7,481	7,481
	Statutory Capital					
39	Capital Purchase Requirements	523,689	108,000	571,885	(59,804)	–
40	Sinking Fund Installments and Serial Retirements	68,888	–	67,629	(1,259)	–
	Total Statutory Capital	592,577	108,000	639,514	(61,063)	–
	Total Additional Appropriations		254,615			8,637

Note: *Section 28(4) of the Finance Act requires that any final additional appropriation required for year-end adjustments be made to Governor-in-Council no later than 15 days after the date of the tabling of the Public Accounts.*

Additional Appropriations Approved during 2013

Additional appropriations, as indicated in the table above, were approved during the year. The details of these additional requests were as follows:

($ thousands)

Appropriation Area	Order in Council	Amount
Capital Purchase Requirements	2012-393	108,000
Justice	2012-393	1,718
Education	2013-129	5,977
Justice	2013-129	3,308
Assistance to Universities	2013-129	34,078
Natural Resources	2013-129	3,815
Tax Credits and Rebates	2013-129	50,029
Pension Valuation Adjustment	2013-129	32,577
Debt Servicing Costs	2013-129	15,113
Total Additional Appropriations Approved		254,615

Debt Servicing Costs – General Revenue Fund

Gross debt servicing costs of the General Revenue Fund for the 2013 fiscal year were $897.4 million, an increase of $15.7 million or 1.8 per cent over estimate and $54.6 million or 6.5 per cent over the previous year. The increase from estimate was primarily due to the increase of $17.9 million in interest costs associated with pensions, retirement and other obligations. Interest on long-term debt was $2.0 million higher than estimate due to the early timing of term debt issuance but was more than offset by lower general interest expense of $4.2 million.

Debt Servicing Costs
($ thousands)

	Estimate 2013	Actual 2013	Actual 2012 *(as restated)*	Actual vs Estimate Increase (Decrease)
Interest on Long-Term Debt	735,101	737,130	714,145	2,029
General Interest	965	(3,280)	(5,211)	(4,245)
Interest on Pension, Retirement and Other Obligations	145,635	163,521	133,859	17,886
Debt Servicing Costs - Gross	**881,701**	**897,371**	**842,793**	**15,670**
Less: Sinking Fund Earnings	108,348	111,146	106,768	2,798
Debt Servicing Costs - Net	773,353	786,225	736,025	12,872

Debenture Debt

The General Revenue Fund's net debenture debt (outstanding debentures less Sinking Fund and Public Debt Management Fund assets) was $12.4 billion in Canadian dollar equivalents at March 31, 2013 (2012 - $12.2 billion).

The Province of Nova Scotia provides sinking fund installments for certain term debt issues. Annual sinking fund installments generally range from 1.0 per cent to 3.0 per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Installments are designed to fully fund the issue over the life of the debt. Sinking Fund and Public Debt Management Fund assets are used solely for debt retirement.

Outstanding Debentures – (CDN$ Equivalents)
($ thousands)

	Actual 2013	Actual 2012
Debentures Payable in Canadian Dollars		
Canada Pension Plan Investment Fund	1,079,352	1,079,352
Other Issues	14,005,581	13,616,923
Less: Sinking Funds and Public Debt Management Fund	(2,694,183)	(2,538,965)
Net Debenture Debt	12,390,750	12,157,310

Annual Borrowing Plan — General Revenue Fund

The *Finance Act*, Section 35, provides for Governor-In-Council approval of an annual borrowing plan submitted by the Minister of Finance. The Minister of Finance was granted approval for a $1.75 billion borrowing plan for the 2013 fiscal year. The Department of Finance requested authority for a borrowing program larger than that stated in the 2012-13 budget in the event that circumstances arose requiring the Department to borrow monies in excess of projected requirements, or financial markets were favourable and the Department deemed it prudent to pre-borrow for future years.

The Department of Finance took advantage of historically low interest rates, in particular for the 50-year term rates, and borrowed $1,348.8 million in the 2013 fiscal year.

NOVA SCOTIA

CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2013

Statement of Responsibility

for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity, objectivity and fair presentation of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared on behalf of the Minister and Deputy Minister of Finance by the Controller in accordance with the accounting principles recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

The consolidated financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficits, a Consolidated Statement of Change in Net Debt, and a Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended. The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained.

Under the mandate in section 19 of the Auditor General Act, the Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.

Byron Rafuse, CMA
Controller and Associate Deputy Minister

Nova Scotia

Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Province of Nova Scotia, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of operations and accumulated deficits, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Consolidated Financial Statements

Management is responsible for the preparation and fair representation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles for the public sector and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards required that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of Nova Scotia as at March 31, 2013, and its consolidated financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Jacques R. Lapointe, CA
Auditor General

July 25, 2013
Halifax, Nova Scotia

Statement 1

Province of Nova Scotia
Consolidated Statement of Financial Position
As at March 31, 2013
($ thousands)

	2013	2012 *(as restated)*
Financial Assets		
Cash and Short-Term Investments (Note 3)	774,202	757,086
Accounts Receivable	768,199	894,796
Inventories for Resale	11,703	8,970
Loans Receivable (Schedule 3)	2,023,912	1,993,626
Investments (Note 3 & Schedule 3)	148,047	152,813
Investment in Government Business Enterprises (Schedule 6)	112,157	101,448
Assets Held for Sale (Note 4)	30,566	—
	3,868,786	3,908,739
Liabilities		
Bank Advances and Short-Term Borrowings	550,440	405,215
Accounts Payable and Accrued Liabilities	1,717,548	1,673,587
Deferred Revenue (Note 5)	245,339	278,867
Accrued Interest	221,550	216,591
Unmatured Debt (Schedule 4)	12,869,245	12,665,417
Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts	178,000	222,933
Federal Equalization Repayable Loan (Note 6)	36,097	48,129
Pension, Retirement and Other Obligations (Note 7)	2,004,336	1,780,946
	17,822,555	17,291,685
Net Debt	(13,953,769)	(13,382,946)
Non-Financial Assets		
Tangible Capital Assets (Schedule 7)	5,400,182	5,122,215
Inventories of Supplies	52,481	57,039
Prepaid Expenses	19,436	24,513
	5,472,099	5,203,767
Accumulated Deficits	(8,481,670)	(8,179,179)

Accounting Changes (Note 2)
Contingencies and Contractual Obligations (Note 12)
Trust Funds under Administration (Note 14)
Subsequent Events (Note 17)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

NOVA SCOTIA

Statement 2

Province of Nova Scotia
Consolidated Statement of Operations and Accumulated Deficits
For the fiscal year ended March 31, 2013
($ thousands)

	Adjusted Estimate 2013	Actual 2013	Actual 2012
Revenue (Schedule 1)			*(as restated)*
Provincial Sources			
Tax Revenue	4,859,390	4,901,794	4,652,058
Other Provincial Revenue	1,223,994	1,390,634	1,364,103
Net Income from Government Business Enterprises (Schedule 6)	350,993	352,097	369,370
Investment Income	188,719	194,575	195,464
	6,623,096	6,839,100	6,580,995
Federal Sources	3,325,170	3,262,765	3,179,294
Total Revenue	9,948,266	10,101,865	9,760,289
Expenses (Schedule 2)			
Agriculture	68,791	67,141	69,234
Communities, Culture and Heritage	60,580	59,363	55,649
Community Services	1,012,650	1,029,692	1,047,543
Economic and Rural Development and Tourism	234,503	212,132	159,066
Education	1,376,553	1,429,756	1,468,528
Energy	31,134	30,393	31,770
Environment	76,076	72,569	75,760
Finance	83,638	88,808	78,786
Fisheries and Aquaculture	8,799	8,474	8,284
Health and Wellness	3,962,372	4,122,825	3,976,425
Justice	312,712	312,981	297,287
Labour and Advanced Education	395,345	388,901	392,210
Assistance to Universities	347,619	380,847	387,215
Natural Resources	97,998	100,995	102,569
Public Service	143,785	136,824	138,032
Seniors	1,871	1,748	1,866
Service Nova Scotia and Municipal Relations	276,896	270,102	260,366
Transportation and Infrastructure Renewal	423,042	417,747	412,204
Restructuring Costs	164,207	80,063	36,935
Restructuring of Nova Scotia Agricultural College (Note 8)	34,517	36,996	—
Pension Valuation Adjustment	71,485	107,370	40,041
Tax Credits and Rebates	73,500	127,145	116,510
Debt Servicing Costs (Note 9)	901,393	921,484	862,998
Total Expenses (Note 10)	10,159,466	10,404,356	10,019,278
Provincial Deficit	(211,200)	(302,491)	(258,989)
Accumulated Deficits, Beginning of Year			
As Previously Reported		(8,039,727)	(7,791,257)
Accounting Changes (Note 2)		(139,452)	(128,933)
As Restated		(8,179,179)	(7,920,190)
Accumulated Deficits, End of Year		(8,481,670)	(8,179,179)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 3

Province of Nova Scotia
Consolidated Statement of Changes in Net Debt
For the fiscal year ended March 31, 2013
($ thousands)

	Adjusted Estimate 2013	Actual 2013	Actual 2012 *(as restated)*
Net Debt, Beginning of Year			
As Previously Reported	(13,382,946)	(13,243,494)	(12,758,315)
Accounting Changes (Note 2)	–	(139,452)	(128,933)
As Restated	(13,382,946)	(13,382,946)	(12,887,248)
Changes in the Year *			
Provincial Deficit	(211,200)	(302,491)	(258,989)
Acquisitions and Transfers of Tangible Capital Assets	(523,689)	(690,862)	(609,649)
Amortization of Tangible Capital Assets	287,951	382,898	362,442
Disposals of Tangible Capital Assets	–	29,997	1,916
Decrease (Increase) in Inventories of Supplies	–	4,558	(307)
Decrease in Prepaid Expenses	–	5,077	8,889
Total Changes in the Year	(446,938)	(570,823)	(495,698)
Net Debt, End of Year	(13,829,884)	(13,953,769)	(13,382,946)

* *Except for the Provincial Deficit figure, the adjusted estimates for items under Changes in the Year reflect the activity of the General Revenue Fund only*

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 4

Province of Nova Scotia
Consolidated Statement of Cash Flow
For the fiscal year ended March 31, 2013
($ thousands)

	2013	2012 *(as restated)*
Cash Inflows (Outflows) from the following activities:		
Operating		
Provincial Deficit	(302,491)	(258,989)
Sinking Fund and Public Debt Management Fund Earnings	(111,146)	(106,768)
Amortization of Premiums and Discounts on Unmatured Debt	(8,321)	(11,510)
Amortization of Tangible Capital Assets	382,898	362,442
Net Income from Government Business Enterprises	(352,097)	(369,370)
Profit Distributions from Government Business Enterprises	341,388	358,251
Loss on Disposal of Tangible Capital Assets	14,523	(333)
Net Change in Other Items (Note 11)	486,940	(65,921)
	451,694	(92,198)
Investing		
Repayment of Loans	390,970	270,742
Advances and Investing	(458,931)	(423,861)
Write-offs	42,441	31,430
	(25,520)	(121,689)
Capital		
Acquisition of Tangible Capital Assets	(690,862)	(609,649)
Proceeds from Disposal of Tangible Capital Assets	15,474	2,249
	(675,388)	(607,400)
Financing		
Debentures Issued	1,359,519	2,091,089
Repayment of Federal Equalization Repayable Loan	(12,032)	(12,032)
Foreign Exchange Amortization	(37,392)	(27,594)
Sinking Fund (Installments) Withdrawals	(44,075)	(37,617)
Repayment of Debentures and Other Long-Term Obligations	(999,690)	(1,616,567)
	266,330	397,279
Cash Inflows (Outflows)	17,116	(424,008)
Cash Position, Beginning of Year	757,086	1,181,094
Cash Position, End of Year	774,202	757,086
Cash Position Represented by:		
Cash an[illegible]hort-Term Investments	774,202	757,086

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2013

1. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector that for purposes of the Province's financial statements are represented by the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards .

The consolidated financial statements are prepared using the following significant accounting policies:

(a) Government Reporting Entity

The government reporting entity (GRE) is comprised of the General Revenue Fund, other governmental units (GUs), government business enterprises (GBEs), and the Province's proportionate share of government partnership arrangements (GPAs). GUs and GBEs represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. GPAs represent entities for which decision making and significant risks and benefits are shared with other parties outside of the GRE.

Trusts administered by the Province are excluded from the GRE and are disclosed in Note 14 for information purposes only.

(b) Principles of Consolidation

A GBE is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. GBEs are accounted for on the modified equity basis. Their accounting principles are not adjusted to conform with those of the Province. The total net assets of all GBEs are included under Investment in GBEs on the Consolidated Statement of Financial Position. The total net income from all GBEs is reported as a separate item on the Consolidated Statement of Operations and Accumulated Deficits.

A GPA is a contractual arrangement between the government and a party or parties outside the GRE. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. Where significant, the government's interest in partnerships is accounted for using the proportionate consolidation method.

A GU is a government organization that is not a GBE or a GPA. GUs include government departments, public service units, funds, agencies, boards, commissions, service organizations, and government not-for-profit organizations. The accounts of GUs are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1(d). Significant inter-organization accounts and transactions are eliminated.

A complete listing of the organizations within the GRE is provided in Schedule 10.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2013

1. Financial Reporting and Accounting Policies (continued)

(c) Presentation of Estimates

Each year, the Province prepares an annual budget, referred to as the Estimates, which represents the financial plan of the Province presented by the government to the House of Assembly for the fiscal year commencing April 1. The Estimates, forming the basis of the Appropriations Act, are prepared primarily for the management and oversight of the General Revenue Fund based upon the policies, programs, and priorities of the government. Impacts of consolidation are summarized in the Estimates and included on a net basis as Consolidation and Accounting Adjustments.

For comparison with these consolidated financial statements, the Estimates were adjusted on a line-by-line basis to gross up the associated revenues and expenses of the consolidated entities.

(d) Significant Accounting Policies

Revenues
Revenues are recorded on the accrual basis. The main components of revenue are various taxes, legislated levies, program recoveries, user fees, and investment income. Revenues from Personal and Corporate Income Taxes, as well as Harmonized Sales Tax, are accrued in the year earned based upon estimates using statistical models. Tax revenues are recorded at the amount estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues.

Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Expenses
Expenses are recorded on the accrual basis and are reported in more detail in Note 10, Expenses by Object. Grants and other government transfers are recognized as expenses in the period at the earlier of 1) the transfer being authorized and all eligibility criteria are met by the recipients and 2) time of the payment.

Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets
Cash and Short-Term Investments are recorded at cost, which approximate market value. Investments are R-1 (low, mid, high) rated federal and provincial government bills or promissory notes, bankers' acceptances, term deposits, and commercial paper. Terms of investments are generally 1 to 90 days. The average interest rate was 1.03 per cent at year-end.

Accounts Receivable and Advances are recorded at the principal amount less valuation allowances.

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As at March 31, 2013

1. Financial Reporting and Accounting Policies (continued)

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Loans are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the loan. Any loan write-offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the investment. Any write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities

Bank Advances and Short-Term Borrowings have initial maturities of one year or less and are recorded at cost, which approximates market value. At year-end, short-term Canadian dollar borrowings had a weighted average interest rate of 1.00 per cent.

Unmatured Debt consists of debentures and various loans in Canadian and foreign currencies and capital leases. Debt is recorded at par, net of sinking funds (including public debt management funds).

Hedge accounting is used when financial instruments form a hedging relationship, the relationship is highly effective, and it is considered to be consistent with the Province's financial risk management goals. To have reasonable assurance of the effectiveness of a hedging relationship, the Province must expect the relationship to be effective in achieving offsetting changes in the fair value or cash flows of the hedged item and the hedging item. Effectiveness requires a high correlation of changes in fair values or cash flows. To ensure hedge effectiveness, the Province employs non-speculative derivatives that match the critical terms of the underlying hedged item.

Hedging relationships include synthetic instruments, which involve relationships between two or more assets or liabilities with matching terms for the purpose of emulating the net cash flows or other characteristics of a single asset or liability. Synthetic instrument accounting is used to account for the assets and liabilities in a synthetic instrument relationship as though they were the item being emulated.

Sinking Fund and Public Debt Management Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments, and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are netted against sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies, and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31 and upon entering into derivative contracts. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary item.

1. Financial Reporting and Accounting Policies (continued)

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances, serial retirements, sinking fund balances, and installments are charged to debt servicing costs except as noted above.

Pension, Retirement and Other Obligations include various employee future benefit plans including accumulated sick leave benefits. Pension liabilities for defined benefit plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the Province's best estimates of performance over the long-term. The projected benefit actuarial method attributes the estimated cost of retirement benefits to the periods of employee service. The net pension liability represents accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period. The pension benefit plan for the majority of health sector employees is offered by a multi-employer plan administrator and is not sponsored by the Province. Employer contributions to this plan are expensed in the period paid. The accrued benefit asset (liability) of this plan is not recognized in these financial statements.

Accumulated Sick Leave Benefits (ASLBs) arise from sick leave provisions in certain governmental units that accumulate but do not vest. Due to the nature of these benefits, a liability and an expense are measured using actuarial valuations taking into consideration the extent to which accumulated sick days are expected to be used by employees in future years. The accrued benefit obligation is accrued as employees render the service that gives rise to the benefits. These benefits are unfunded, meaning the Province has not set aside any assets to cover the future related costs.

Contingent liabilities, including provisions for losses on loan guarantees, are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. In cases where an accrual is made, but exposure exists beyond the amount accrued, this excess exposure would also be disclosed, unless the impact is immaterial or the disclosure would have an adverse effect on the outcome of the contingency.

Net Debt

Net Debt represents the total liabilities of the Province less its financial assets. Net debt is the accumulation of current and past annual surpluses and deficits and net investments in non-financial assets.

Non-Financial Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services, and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development, and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges.

Province of Nova Scotia
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1. Financial Reporting and Accounting Policies (continued)

Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources, or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates applied by the other governmental units are not adjusted to the methods and rates used by the General Revenue Fund.

Inventories of Supplies are held for consumption or use by the Province in the course of its operations. Inventory is recorded at the lower of cost and net realizable value.

Prepaid Expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits
Accumulated Deficits represent the total liabilities of the Province less financial assets and non-financial assets. This represents the cumulative balance of net surpluses and deficits arising from the operations of the Province.

(e) Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in the accruals for such items as pension, retirement and other obligations, environmental remediation obligations, and federal and provincial source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the Province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists in the accruals for environmental remediation obligations because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans. Uncertainty related to Sales and Income Taxes, petroleum royalties, Canada Health Transfer, and Canada Social Transfer arises because of the possible differences between the estimated and actual economic growth and other assumptions used in statistical models to accrue these revenues.

(f) Future Changes in Accounting Policies

The Public Sector Accounting Board has issued a new accounting recommendation effective for fiscal years beginning on or after April 1, 2014. Section PS 3260 - Liability for Contaminated Sites establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. Specifically, the section:

a) defines which activities would be included in a liability for remediation
b) establishes when to recognize and how to measure a liability for remediation
c) provides the related financial statement presentation and disclosure requirements.

The Province is currently analyzing the impacts of this standard on its financial statements.

2. Accounting Changes

Accounting changes were made during the year that have the following impacts:

($ thousands)	2013		2012		
	Net Debt April 1, 2012	Accumulated Deficits April 1, 2012	Provincial Deficit	Net Debt April 1, 2011	Accumulated Deficits April 1, 2011
a) Accumulated Sick Leave Benefits	(55,172)	(55,172)	(4,343)	(50,829)	(50,829)
b) Non-Teaching Retiring Allowances	(4,924)	(4,924)	(277)	(4,647)	(4,647)
c) Conversion to PSAS					
CDHA	9,872	9,872	5,898	3,974	3,974
IWK	(17,193)	(17,193)	(7,943)	(9,250)	(9,250)
NSCC	(2,706)	(2,706)	(1,294)	(1,412)	(1,412)
SSDHA	(2,592)	(2,592)	(2,336)	(256)	(256)
d) Correction of Prior Period Errors					
GBEs	(5,191)	(5,191)	(224)	(4,967)	(4,967)
Deferred Capital Grants	(61,546)	(61,546)	—	(61,546)	(61,546)
	(139,452)	(139,452)	(10,519)	(128,933)	(128,933)

a) Accumulated Sick Leave Benefits
Actuarial valuations of sick leave provisions that accumulate but do not vest were completed for certain governmental units during 2013. These liabilities were recorded for the first time in the 2013 fiscal year with retroactive restatement of the comparative year. The 2012 impact was an increase of $4.3 million in expenses and an increase of $50.8 million to opening accumulated deficits.

b) Non-Teaching Retiring Allowances – Regional School Boards
Actuarial valuations of retirement allowances for non-teaching staff at certain school boards were completed during 2013. These liabilities were recorded for the first time in the 2013 fiscal year with retroactive restatement of the comparative year. The 2012 impact was an increase of $0.3 million in expenses and an increase of $4.6 million to opening accumulated deficits.

c) Conversion to Public Sector Accounting Standards – Government Not-For-Profit Organizations
Effective April 1, 2012, Government Not-For-Profit Organizations (GNFPOs) adopted public sector accounting standards (PSAS) on a retroactive basis with restatement of the prior year. Certain changes upon conversion resulted in adjustments to the Province's accounts as follows:

i. Capital District Health Authority (CDHA)
CDHA identified and consolidated a government business enterprise (GBE) under its control, derecognized an unrealized gain on long-term investments, and recognized its internally restricted deferred capital grants as revenue. The 2012 impact of the conversion was a decrease of $0.9 million to the Province's investment in GBEs, a decrease of $0.7 million in net income from GBEs, a decrease of $1.5 million in both investments and investment income, a decrease of $12.3 million in deferred revenue, an increase of $8.1 million to other provincial revenue, and a decrease of $4.0 million to opening accumulated deficits.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
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2. Accounting Changes (continued)

CDHA made other changes that did not impact the provincial deficit, net debt, and opening accumulated deficits in 2012. Cash and short-term investments of $62.1 million were reclassified to investments. Recoveries that were previously netted against expenses were grossed up, resulting in an increase in other provincial revenue of $42.4 million with offsetting increases of $23.4 million in salaries and benefits and $19.0 million in operating expenses.

ii. Izaak Walton Killam Health Centre (IWK)
IWK identified certain grants and funding as externally restricted and recorded them as deferred capital and research revenue. The 2012 impact of this change was a decrease of $7.9 million in other revenue and an increase of $9.3 million to opening accumulated deficits.

IWK made another change that did not impact the provincial deficit, net debt, and opening accumulated deficits in 2012. IWK derecognized funds held in trust on behalf of stakeholders, reducing cash and short-term investments and accounts payable both by $10.0 million.

iii. Nova Scotia Community College (NSCC)
Externally restricted assets and revenues were reclassified to deferred revenue, and employee future benefit plans were retroactively restated. The 2012 impact of these changes was a decrease of $0.5 million in revenue, an increase of $0.8 million in salaries and benefits, an increase of $6.1 million in deferred revenue, a decrease of $3.4 million in pension, retirement and other obligations, and an increase of $1.4 million to opening accumulated deficits.

iv. South Shore District Health Authority (SSDHA)
Externally restricted capital funding was reclassified to deferred revenue. The 2012 impact of this change was an increase of $2.6 million in deferred revenue, a decrease of $2.3 million in other provincial revenue, and an increase of $0.3 million to opening accumulated deficits.

d) Correction of Prior Period Errors

i. Two GBEs reported retroactive restatements. Nova Scotia Liquor Corporation retroactively corrected its liability for accumulating non-vesting sick leave relating to the previous year. The 2012 impact of this correction was a decrease of $5.6 million to the Province's investment in GBEs, a decrease of $0.2 million in net income from GBEs, and an increase of $5.4 million to opening accumulated deficits and net debt. Halifax-Dartmouth Bridge Commission retroactively restated its property, plant and equipment balance relating to the previous year. The 2012 impact of this change was an increase of $0.4 million to the Province's investment in GBEs, a decrease of $0.1 million in net income from GBEs, and a decrease of $0.5 million to opening accumulated deficits and net debt.

ii. Deferred capital grants revenue for a governmental unit should have been eliminated upon consolidation in the year received. This resulted in an increase of $61.5 million to the opening accumulated deficits and net debt in 2012.

The Province adopted two new public sector accounting standards in the current year as follows:

PS 3410 – Government Transfers
The Province prospectively adopted this revised accounting standard effective April 1, 2012, which establishes how to account for and report government transfers to individuals, organizations, and other governments from both a transferring government and a recipient government perspective. As a result of adopting this revised standard, an additional $38.4 million in grant expenses were recorded in the current year with no impact to revenues.

2. Accounting Changes (continued)

PS 3510 - Tax Revenue

The Province retroactively adopted this new accounting standard effective April 1, 2012, whereby tax revenue is recognized at its gross amount, tax concessions are netted against tax revenue, and transfers through a tax system are recognized as expenses. As a result, both tax revenues and tax credits and rebates for the current year were increased by $56.7 million (2012 - $48.2 million) with no impact on the provincial deficit, net debt, and accumulated deficits of either year.

3. Restricted Assets

As at March 31, 2013, assets of $47.3 million (2012 - $47.2 million) were designated for restricted purposes by parties external to the Province. Restricted cash and short-term investments totaled $8.8 million, comprised of: $4.2 million for endowment and scholarship funds, $2.4 million for gas market development as part of the Nova Scotia Market Development Initiative Fund, and $2.2 million for various other purposes. Restricted investments totaled $38.5 million, comprised of: $26.7 million for Capital District Health Authority's (CDHA) Centre for Clinical Research, $7.6 million for other CDHA purposes, and $4.2 million for various endowment funds.

Externally restricted inflows not spent by year-end create a liability that will be settled by using the restricted assets for their intended purposes. The restricted assets described in this note are segregated from other assets and will be used as prescribed in a future period.

4. Assets Held for Sale

On December 10, 2012 (the "Acquisition Date"), the Province purchased 100% of the outstanding shares of Bowater Mersey Paper Company (Bowater), along with its wholly owned subsidiary, Brooklyn Power Corporation (BPC), for cash consideration of one dollar plus acquisition costs of $1.3 million. The Province gained control of the entity with the full intention to manage the orderly wind-up of Bowater's operations. Effective December 11, 2012, Bowater's name was changed to Renova Scotia Bioenergy Inc. (Renova).

The acquisition was accounted for using the purchase method. The cost of this acquisition did not result in a purchase premium having to be charged to expenses in the current year. The net assets acquired on the Acquisition Date are summarized as follows:

Total assets acquired	$149.5 million
Total liabilities assumed	$148.2 million

At March 31, 2013, assets in the amount of $30.6 million were classified as held for sale. An agreement was in place at the Acquisition Date with a third party to purchase the shares of BPC for $25.0 million. The sale is expected to close in the next fiscal year. Other assets held for sale include redundant buildings, lands, and equipment including spare parts and store's inventory that were previously held by Bowater.

The Province's Consolidated Statement of Operations and Accumulated Deficits includes the results of Renova from December 10, 2012 to March 31, 2013.

Province of Nova Scotia
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As at March 31, 2013

5. Deferred Revenue

Receipts are recorded as deferred revenue if they are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized into revenue over time as the recognition criteria are achieved or is drawn down to reimburse third parties as conditions are met. The balance includes the following components:

($ thousands)	**2013**	**2012** *(as restated)*
Nova Scotia Housing Development Corporation - Social Housing Agreement	61,769	58,602
Provincial-Territorial Base Funding Agreement - Infrastructure and Highways	39,777	17,277
Capital District Health Authority - Capital and Research Funds	34,460	33,850
Izaak Walton Killam Health Centre - Capital and Research Funds	20,204	17,193
Resource Recovery Fund Board Inc. - Unearned Revenue from Container Deposits, Paint Levies and Tire Deposits	14,167	14,562
Nova Scotia Community College	10,271	7,981
Early Learning Child Care Funds	7,161	17,961
Seniors Pharmacare	6,069	9,487
Cape Breton District Health Authority	5,691	5,438
Heritage Canada - Official Languages in Education Protocol (OLEP)	4,755	5,668
Waterfront Development Corporation Limited	3,996	4,337
Labour Market Agreement	3,927	2,588
Nova Scotia Market Development Initiative Fund	3,771	4,884
C-50 Police Officers Recruitment Fund	3,500	7,500
Halifax Regional School Board	3,460	3,217
South Shore District Health Authority - Capital Funds	3,318	3,436
Trade Centre Limited	3,293	5,104
Nova Scotia Gas Tax Agreement on Municipal Funding	1,400	45,780
Other Externally Restricted Funds	14,350	14,002
Total Deferred Revenue	245,339	278,867

6. Federal Equalization Repayable Loan

The Province received an equalization repayable loan from the federal government in March 2005 in the amount of $120.3 million. The loan bears no interest and is being repaid over 10 years, with bi-monthly deductions of $0.5 million that commenced in April 2006. As at March 31, 2013, the balance of the loan was $36.1 million (2012 - $48.1 million).

7. Pension, Retirement and Other Obligations

The Province offers a variety of pension and other retirement, post-employment, and special termination benefits. The Province is responsible for adequately funding most of the plans. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Province to pay benefits occurs.

(a) Description of Obligations

Pension Benefit Plans
The Province sponsors two funded pension plans, the Nova Scotia Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP). Both plans are defined benefit plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures, secured mortgages and real estate. The plans are jointly funded with contributions from employees being matched by the province. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

On April 1, 2006, the Minister of Finance transferred responsibility for the governance of the Nova Scotia Teachers' Pension Plan to the Teachers' Pension Plan Trustee Inc. (TPPTI). The TPPTI is the trustee for the plan and is comprised of nine board members – four nominated by the Nova Scotia Teachers' Union, four nominated by the Province, and one Chair agreed to by both parties. As a result of this transfer, the Province and Union agreed to share all surpluses and deficits of the plan equally. The Province accounts for half of all components of the accrued benefit liability associated with the plan in its financial statements. In addition, the Province recognizes half of components associated with the net benefit expense (recovery) associated with this plan. As at March 31, 2013, the total accrued benefit liability associated with this plan was $347.8 million.

The Province has several unfunded defined pension plans. The majority of these plans do not require contributions from employees. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

Employees in the health sector are members of a multi-employer defined benefit pension plan. As the Province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these financial statements. The most recent actuarial valuation was performed on April 1, 2012 and extrapolated to December 31, 2012, which indicated a funding surplus of $0.35 million.

Other Retirement Benefit Plans
The Province sponsors two other retirement benefit plans: retirement allowances and retirement health plan benefits. These plans are not funded. Benefits paid upon retirement for retirement allowances are based on an employee's length of service and rate of pay. Retirement health plan benefits vary depending on the collective agreements negotiated with each group. The Province pays 65 per cent and 100 per cent of the cost of retirement health plan benefits for the PSSP and TPP retirees, respectively.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
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7. Pension, Retirement and Other Obligations (continued)

Post-Employment Benefits
The Province offers two significant post-employment benefit plans: Self Insured Workers' Compensation and Long-Term Disability. The amount recorded in these financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments, based on claims ongoing at year-end. For the Long-Term Disability plan, the obligation is offset by the market related value of plan assets.

Accumulated Sick Leave Provisions
The Province's Regional School Boards, District Health Authorities, and Nova Scotia Community College have collective agreements containing sick leave provisions that accumulate but do not vest. Under Public Sector Accounting Standards, governments must measure and record an obligation associated with the accumulated sick leave benefits (ASLBs) that are anticipated to be used in future years. Within the Province, ASLBs are unfunded, meaning there are no assets set aside to cover the related costs of these benefits in the future.

Due to the nature of these benefits, actuarial valuations are required to estimate their financial value. An actuarial assumption must be developed to reflect the probability of employees actually using ASLB "banked days". This involves a detailed analysis of several years of data to determine historical usage. A historical usage pattern is not based on the data group as a whole but must take into account a number of specific factors such as, but not limited to, gender, age, and type of contract/job responsibilities, each of which may impact the anticipated amount of accumulated sick leave time to be taken in the future. As a result, the anticipated usage assumption may involve a number of criteria and circumstances that then must be applied to the data in coordination with other actuarial assumptions such as discount rate, retirement assumptions, future salary increases, mortality tables, etc.

Actuarial valuations of ASLBs have been completed and form the basis for recording these liabilities in 2013 with retroactive restatement of the comparative year for certain governmental units as described in Note 2.

Special Termination Benefits
The Province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994 respectively. Qualified members were offered additional years of pensionable service if they elected to retire. The cost of these benefits was accrued in the year the employee accepted the early retirement option.

Retirement Obligations of Renova Scotia Bioenergy Inc.
As part of the Province's acquisition of Renova, described in Note 4, there were unfunded pension liabilities associated with various pension plans and retirement health benefits. The obligations and assets associated with these plans have been noted in the continuity statements in Note 7(c) as "acquisitions." The net unfunded liabilities of these plans totaled $112.0 million as at December 10, 2012. Land and other assets were subsequently sold and the proceeds used to fund the liabilities. As at March 31, 2013, the net unfunded liabilities associated with these plans were $24.7 million and are included in these financial statements.

7. Pension, Retirement and Other Obligations (continued)

(b) Summary of Accrued Benefit Liabilities

($ thousands)	2013	2012 *(as restated)*
Pension Benefit Plans	230,062	102,205
Other Benefit Plans	1,774,274	1,678,741
Total Accrued Benefit Liability	2,004,336	1,780,946

(c) Summary of Activity During the Year

($ thousands)	Pension Benefit Plans		Other Benefit Plans	
	2013	2012	2013	2012 *(as restated)*
Projected Benefit Obligation, Beginning of Year	7,953,442	7,649,132	1,773,530	1,686,706
Current Benefit Cost	215,961	201,835	109,868	97,846
Interest Cost	529,056	524,274	80,817	80,039
Actuarial (Gains) Losses	38,676	22,137	(5,943)	12,664
Benefit Payments	(487,471)	(461,850)	(109,812)	(104,316)
Other	8,772	10,948	(1,313)	591
Acquisition	309,400	—	8,400	—
Plan Amendments	—	6,966	8,608	—
Projected Benefit Obligation, End of Year	8,567,836	7,953,442	1,864,155	1,773,530
Market Related Value of Plan Assets, Beginning of Year	6,740,107	6,771,568	124,861	114,503
Expected Return on Plan Assets	438,971	462,109	6,997	7,097
Actuarial Gains (Losses)	(149,853)	(321,733)	(4,272)	(5,098)
Benefit Payments	(487,471)	(461,850)	(109,812)	(104,316)
Other	8,453	10,948	(411)	(579)
Acquisition	205,800	—	—	—
Employer Contributions	242,436	154,449	104,251	102,772
Employee Contributions	125,598	124,616	10,159	10,482
Market Related Value of Plan Assets, End of Year	7,124,041	6,740,107	131,773	124,861
Funded Status, End of Year	(1,443,795)	(1,213,335)	(1,732,382)	(1,648,669)
Unamortized Net Actuarial (Gains) Losses	1,213,733	1,111,130	14,583	19,283
Valuation Allowance	—	—	(56,475)	(49,355)
Accrued Benefit Liability, End of Year	(230,062)	(102,205)	(1,774,274)	(1,678,741)

7. Pension, Retirement and Other Obligations (continued)

(d) Actuarial Assumptions

The table below shows significant weighted-average assumptions used to measure pension and other benefit plan obligations.

	Pension Benefit Plans		Other Benefit Plans	
	2013	2012	2013	2012
Long-term inflation rates	2.25%	2.50%	2.25%	2.50%
Expected real rate of return on plan assets	4.15% + 4.40%	4.29% + 4.39%	–	–
Rate of compensation increase	2.50% to 5.25% + merit	2.50% to 5.25% + merit	2.40% to 4.90% + merit	2.65% to 5.15% + merit
Discount rate – main plans	6.50% + 6.75%	6.90% + 7.00%	4.30%	4.75%
Other	–	–	5.57%	6.09%

Other assumptions

7.0 per cent annual rate increase in the cost per person of covered healthcare benefits for 2012-13, decreasing to an ultimate rate of 4.5 per cent per annum over 15 years.

7.0 per cent annual rate increase in the cost per person of covered prescription drugs for 2012-13, decreasing to an ultimate rate of 4.5 per cent per annum over 15 years.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Province's best estimate of performance over the long-term.

(e) Other Disclosure

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 4 years to 18 years (weighted-average EARSL is 13 years).

During the year, the weighted average actual rate of return on plan assets was 10.1 per cent (2012 - 2.7 per cent). The total market value of plan assets at March 31, 2013 was $9.2 billion (2012 - $8.6 billion).

The most recent actuarial valuations performed for most of the benefit plans was at December 31, 2011 with the exception of certain other retirement benefit plans that were performed on various dates and the post-employment benefit plans that are performed annually at March 31.

7. Pension, Retirement and Other Obligations (continued)

(f) Net Benefit Plans Expense

The table below shows the components of the net benefit plans expense (recovery).

($thousands)	**Pension Benefit Plans**		**Other Benefit Plans**	
	2013	**2012**	**2013**	**2012** *(as restated)*
Current Benefit Cost	215,961	201,835	109,868	97,846
Employee Contributions	(126,117)	(125,138)	(10,160)	(10,492)
Employer Contributions*	39,706	36,469	—	—
Plan Amendments	—	6,966	8,608	—
Amortization of Net Actuarial (Gains) Losses	85,919	48,080	1,294	(4,247)
Recognition of Actuarial Losses on Plan Amendment	—	254	(425)	—
Other	14,879	23,774	1,146	1,169
Increase (Decrease) in Valuation Allowance	—	(3,297)	7,120	12,983
Interest Cost	529,056	524,274	80,817	80,039
Expected Return on Plan Assets	(438,971)	(462,109)	(6,997)	(7,097)
Employer Contributions to Multi-Employer Plan	97,402	96,284	—	—
Net Benefit Plans Expense	417,835	347,392	191,271	170,201

* *This represents one-half of the employer contributions made by the Province to the TPP. Included in the figures above for 2013 and 2012 are one-half of all transactions associated with TPP to reflect the Province's share of this plan under joint trusteeship.*

8. Restructuring of Nova Scotia Agricultural College

On September 1, 2012, the Nova Scotia Agricultural College (NSAC) was merged with Dalhousie University (Dalhousie) in accordance with the Dalhousie University - Nova Scotia Agricultural College Merger Act. The NSAC campus land, buildings, and other operating assets were transferred to Dalhousie as at the date of the merger. Therefore, NSAC no longer forms part of the Province's Government Reporting Entity effective September 1, 2012. The Province's Consolidated Statement of Operations and Accumulated Deficits includes the results of NSAC from April 1, 2012 to September 1, 2012. The merger included a three year funding agreement between the Province and Dalhousie. The amount of funding for 2012-13 was included in Agriculture expenses.

Expenses related to the transfer of NSAC charged to Restructuring Costs were as follows:

($ thousands)	**Adjusted Estimate 2013**	**Actual 2013**	**Actual 2012**
Net Book Value of Assets Transferred to Dalhousie	26,600	29,218	—
Other Transition Costs	7,917	7,778	—
Restructuring of Nova Scotia Agricultural College	34,517	36,996	—

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2013

8. Restructuring of Nova Scotia Agricultural College (continued)

The results of the operations of NSAC from April 1, 2012 to August 31, 2012 included in other provincial revenue and Department of Agriculture expenses were as follows:

($ thousands)	**Adjusted Estimate 2013**	**Actual 2013**	**Actual 2012**
Other Provincial Revenue			
Revenue from Nova Scotia Agricultural College	9,934	4,918	11,188
Department of Agriculture Expenses			
Expenses of Nova Scotia Agricultural College	22,726	7,821	22,677
Results of Nova Scotia Agricultural College	(12,792)	(2,903)	(11,489)

9. Debt Servicing Costs

($ thousands)	**2013**	**2012** *(as restated)*
CDN$ Denominated Debt	770,785	736,035
Pension, Retirement and Other Obligations	164,033	135,133
Capital Leases	16,000	17,942
Other Debt	8,503	10,165
Premium / Discount Amortization	(8,321)	(11,510)
Foreign Exchange	(30,679)	(25,897)
Miscellaneous	1,163	1,130
Total Debt Servicing Costs	921,484	862,998

Debt servicing costs for the Province's government business enterprises were $13.4 million (2012 - $13.7 million) for the year ended March 31, 2013.

10. Expenses by Object

($ thousands)	**2013**	**2012** *(as restated)*
Grants and Subsidies	3,712,408	3,565,817
Salaries and Employee Benefits	3,548,870	3,468,119
Operating Goods and Services	1,473,363	1,452,084
Professional Services	332,929	306,004
Amortization	382,898	362,442
Debt Servicing Costs	921,484	862,998
Other	32,404	1,814
Total Expenses by Object	10,404,356	10,019,278

11. Cash Flow — Net Change in Other Items

($ thousands)	2013	2012 *(as restated)*
Change in Receivables from Government Business Enterprises	9,642	(3,891)
Change in Accounts Receivable	116,955	180,752
Change in Accounts Payable and Other Short-Term Borrowings	189,186	(259,908)
Change in Inventories for Resale	(2,733)	(1)
Change in Assets Held for Sale	(30,566)	—
Change in Inventories of Supplies	4,558	(307)
Change in Prepaid Expenses	5,077	8,889
Change in Deferred Revenue	(33,528)	(127,634)
Change in Accrued Interest	4,959	8,069
Change in Pension, Retirement and Other Obligations	223,390	128,110
Total Net Change in Other Items	486,940	(65,921)

12. Contingencies and Contractual Obligations

(a) Contingent Liabilities

Environmental Sites

Various provincially owned sites throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded when it is determined a liability exists and a reasonable estimate of the remediation costs can be made. With the exception of the remediation costs noted in the following paragraphs, no further provisions have been recognized in these financial statements.

Engineering and environmental studies have generated estimates for the cost of remediation of the Sydney Steel Corporation (SYSCO) and adjacent sites as well as the Sydney Tar Ponds site. As a result, the Province recorded liabilities totaling $318.5 million in 2000 for environmental site clean up. At March 31, 2013, $65.2 million (2012 - $72.4 million) remains unspent. The provision will continue to be utilized for future decommissioning, demolition, and remediation of SYSCO's and adjacent sites, including the Sydney Tar Ponds site. Based on currently available information, the provision, in aggregate, appears to be sufficient to cover the estimated costs to remediate these sites.

Other remediation liabilities amounting to $16.0 million (2012 – $12.5 million) have been recognized in these financial statements.

Lawsuits

The Province of Nova Scotia is involved in various legal proceedings arising from government activities. These different disputes result from breaches of contract, damages suffered by individuals or property, and related elements. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions may be significant, their outcomes are not certain.

When a liability is determined to likely exist and the amount can be reasonably estimated, the amount is recorded as an accrued liability and an expense. The accrued liability for pending litigation in process at March 31, 2013 was $52.0 million (2012 - $42.6 million).

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2013

12. Contingencies and Contractual Obligations (continued)

Guarantees

Guarantees by the Province are authorized by various acts of legislature and provided through specific agreements and programs to repay promissory notes, bank loans, lines of credit, mortgages, and other securities. Provisions for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provisions represents the Province's best estimate of future payments. Estimates take into consideration the nature of the loan guarantees, loss experience, and current conditions. The provisions are reviewed on an ongoing basis and changes in the provisions are recorded as expenses in the year they become known. Details on guarantees authorized, utilized, and accrued are presented in Schedule 8.

Other Contingent Liabilities

The Province also has contingent liabilities in the form of indemnities. The Province's potential liability, if any, cannot be determined at this time.

(b) Contingent Gains

The Province may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded once the contingent events occur and collectability is reasonably assured.

(c) Contractual Obligations

As at March 31, 2013, the Province has contractual obligations as follows:

($ thousands) Fiscal Year	Governmental Units	Government Business Enterprises	Total Contractual Obligations
2014	1,052,809	17,570	1,070,379
2015	875,295	8,640	883,935
2016	580,648	9,116	589,764
2017	485,265	9,102	494,367
2018	469,424	3,572	472,996
2019-2023	1,744,847	–	1,744,847
2024-2028	1,630,582	–	1,630,582
2029-2033	1,635,169	–	1,635,169
2034 & thereafter	611,153	–	611,153
	9,085,192	48,000	9,133,192

These contractual obligations are comprised of $8,894.0 million from the General Revenue Fund, $191.2 million from the Province's Governmental Units, and $48.0 million from the Government Business Enterprises. Included are contractual obligations from the Department of Health and Wellness of $3,974.1 million for service agreements with long-term care facilities and $682.7 million for the management of the ground ambulance fleet, $2,662.4 million from the Department of Justice for RCMP policing services, $592.9 million from the Department of Labour and Advanced Education for university assistance, $220.7 million from the Department of Education for P3 School maintenance agreements, and $92.2 million from Nova Scotia Business Inc. for projects approved under its various programs.

12. Contingencies and Contractual Obligations (continued)

Leases
As at March 31, 2013, the Province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

($ thousands) Fiscal Year	Governmental Units	Government Business Enterprises	Total Lease Payments
2014	85,557	7,588	93,145
2015	57,505	6,328	63,833
2016	47,216	4,626	51,842
2017	41,327	3,431	44,758
2018	26,835	2,286	29,121
2019-2023	38,237	7,538	45,775
2024-2028	2,148	–	2,148
2029-2033	1,474	–	1,474
	300,299	31,797	332,096

13. Risk Management and the Use of Derivative Financial Instruments

As a result of borrowing in both Canadian and foreign financial markets and being a party to financial instruments, the Province is exposed to interest rate risk, foreign exchange risk, credit risk, and liquidity risk. The Province employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments (derivatives). Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to mitigate foreign exchange risk and interest rate risk. The Province does not use derivatives for speculative purposes.

Interest rate risk
Interest rate risk is the risk that debt servicing costs will vary unfavourably due to fluctuations in interest rates. To reduce its exposure to interest rate risk, the Province uses derivatives to manage the fixed and floating interest rate mix of its debt portfolio. Interest rate contracts include swap agreements and options on swaps. These contracts are used to vary the amounts and periods for which interest rates on borrowings are fixed or floating.

As at March 31, 2013, the Province has executed 34 interest rate swap contracts to convert certain interest payments from fixed to floating, floating to fixed, and floating to floating. These swaps have terms remaining of 62 days to 14.6 years, a notional principal value of $1.5 billion, and a mark to market value of -$10.6 million.

Foreign exchange risk
Foreign exchange risk is the risk that the cash flows needed to repay the interest and principal on loans in foreign currencies will vary due to fluctuations in foreign exchange rates. To manage this risk, the Province uses derivative contracts to convert foreign currency principal and interest cash flows into Canadian dollar denominated cash flows. Derivative contracts hedge the underlying debt by matching the critical terms to achieve effectiveness. Foreign exchange contracts include swap agreements that are used to convert the liability for foreign currency borrowing and associated costs into Canadian dollars.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2013

13. Risk Management and the Use of Derivative Financial Instruments (continued)

The Province has currency swap contracts which convert foreign denominated debt into Canadian dollar denominated debt as follows:

Termination Date	*Original Currency*	*Original Principal*	*Current Currency*	*Current Principal*	*Mark to Market* [1]
		($ thousands)		*($ thousands)*	*($ thousands)*
April 16, 2019	UK£	60,000	CDN$	114,387	(28,296)
Total	**UK£**	**60,000**	**CDN$**	**114,387**	**(28,296)**
July 27, 2013	US$	300,000	CDN$	299,850	3,649
July 21, 2015	US$	750,000	CDN$	771,750	15,839
March 15, 2016	US$	150,000	CDN$	205,725	(41,337)
January 26, 2017	US$	500,000	CDN$	562,470	9,777
February 1, 2019	US$	200,000	CDN$	198,000	14,559
July 1, 2019	US$	200,000	CDN$	199,900	10,904
November 15, 2019	US$	244,000	CDN$	246,318	11,140
March 1, 2020	US$	300,000	CDN$	409,200	(109,820)
May 1, 2021	US$	300,000	CDN$	312,002	3,986
April 1, 2022	US$	300,000	CDN$	379,517	(72,141)
July 30, 2022	US$	300,000	CDN$	329,310	(16,391)
Total	**US$**	**3,544,000**	**CDN$**	**3,914,042**	**(169,835)**

[1] Mark to Market is an indication of the swap's market value as at March 31, 2013. It is also the equivalent of the present value of future cash flows based on market conditions as at March 31, 2013.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations. The Province manages its credit risk exposure from derivatives by, among other activities, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. The Province's policy requires that a minimum credit rating for counterparties to derivative transactions be 'A', where the minimum rating in the "A" category is "A-"or equivalent.

Liquidity risk

Liquidity risk is the risk that the Province will not be able to meet its financial commitments over the short term. To reduce liquidity risk, the Province maintains liquid reserves (cash and cash equivalents) at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has a short-term note program, uncommitted bank lines, and discretionary sinking funds as alternative sources of liquidity. This risk is also managed by distributing debt maturities over many years and having 50.0 per cent of long-term debt with a maturity of over 15 years.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2013

14. Trust Funds Under Administration

($ thousands)	2013	2012 *(as restated)*
Nova Scotia Public Service Superannuation Fund *(1)*	4,709,136	4,369,319
Sydney Steel Corporation Superannuation Plan *(1), (2)*	8	12
Nova Scotia Public Service Long Term Disability Plan *(1), (4)*	127,804	113,597
Nova Scotia Credit Union Deposit Insurance Corporation *(4)*	20,584	19,534
Public Trustee *(1), (5)*	49,199	44,806
Miscellaneous Trusts *(3)*	19,778	26,105
Total Trust Funds Under Administration	4,926,509	4,573,373

(1) Financial statements of these funds are available in Public Accounts, Volume 2.

(2) Administration of the assets of Sydney Steel Corporation Superannuation Fund was assumed during 2001.

(3) Miscellaneous trusts include a large number of relatively small funds.

(4) These represent trusts with December 31 year ends.

(5) Final financial statements not available at time of production of Public Accounts, Volume 1.

Other

The Nova Scotia Teachers' Union and the Province of Nova Scotia agreed to joint trusteeship of the Nova Scotia Teachers' Pension Fund effective April 1, 2006. Under joint trusteeship, the Trustee of the Fund is the Teachers' Pension Plan Trustee Inc., of which the Province has four of nine members. The Trustee is responsible for the administration of the Fund and investment management of fund assets. Total net assets available for benefits as at December 31, 2012 were $4.2 billion (2011 - $4.0 billion).

15. Related Party Transactions

Included in these consolidated financial statements are insignificant transactions with various provincial crown corporations, agencies, boards, and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the General Revenue Fund due to common control or ownership by the Province of Nova Scotia.

The most significant unadjusted related party transactions are described in more detail in Schedule 6 – Government Business Enterprises.

16. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the presentation format adopted in the current year.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2013

17. Subsequent Events

The *Financial Measures (2012) Act*, an Act Respecting Certain Financial Measures, received Royal Assent on May 17, 2012. Contained in this Act were changes to the *Public Service Superannuation Act*, whereby establishing the Public Service Superannuation Plan Trustee Incorporated (PSSPTI) as the new trustee of the Public Service Superannuation Plan (PSSP). This Act also established the Nova Scotia Pension Services Corporation (NSPSC). These changes were proclaimed effective April 1, 2013 (the "Effective Date").

The PSSP transitioned to a joint governance structure on the Effective Date. Responsibility for the PSSP was transferred from the Minister of Finance to the PSSPTI. Upon this transfer, the Minister of Finance is no longer the trustee of the PSSP.

The NSPSC is a new non-profit corporation replacing the former Nova Scotia Pension Agency. The NSPSC administers the PSSP and the Teachers' Pension Plan (TPP) under the direction and oversight of the respective joint trustee boards. NSPSC is jointly owned by the Teachers' Pension Plan Trustee Inc. (TPPTI) and the PSSPTI. NSPSC is not controlled by the Province, thus does not form part of the Province's government reporting entity and will not be consolidated as part of the Province's consolidated financial statements.

NOVA SCOTIA

Schedule 1

Revenue
For the fiscal year ended March 31, 2013
($ thousands)

	2013	2012 *(as restated)*
Provincial Sources		
Tax Revenue		
Personal Income Tax	2,128,498	2,059,569
Corporate Income Tax	434,078	339,715
Harmonized Sales Tax	1,729,344	1,598,131
Tobacco Tax	206,287	208,631
Motive Fuel Tax	243,446	250,186
Other Tax Revenue	160,141	195,826
	4,901,794	4,652,058
Other Provincial Revenue		
Recoveries	377,443	301,642
Other Revenue from Governmental Units	461,193	419,924
Municipal Contributions to School Boards	220,902	210,032
Petroleum Royalties	3,535	112,680
Registry of Motor Vehicles	113,434	117,084
Other Government Charges	68,679	70,842
Miscellaneous	130,138	128,532
Net Gain on Disposal of Crown Assets	15,310	3,367
	1,390,634	1,364,103
Net Income from Government Business Enterprises	352,097	369,370
Investment Income		
Interest Revenue	83,429	88,696
Sinking Fund and Public Debt Retirement Fund Earnings	111,146	106,768
	194,575	195,464
Total Provincial Sources	6,839,100	6,580,995
Federal Sources		
Equalization Payments	1,578,829	1,407,242
Canada Health Transfer	793,237	758,941
Canada Social Transfer	323,897	316,473
Recoveries	247,434	306,963
Offshore Accord	146,059	167,755
TCA Cost Shared Revenue	24,470	38,995
Crown Share	12,916	30,053
Other Federal Transfers	135,923	152,872
Total Federal Sources	3,262,765	3,179,294
Total Revenue	10,101,865	9,760,289

Schedule 2

Expenses

For the fiscal year ended March 31, 2013
($ thousands)

	2013	2012 *(as restated)*
Agriculture		
Department of Agriculture	57,683	58,895
Nova Scotia Blueberry Institute Fund	34	—
Nova Scotia Crop and Livestock Insurance Commission	2,251	3,662
Nova Scotia Harness Racing Fund	1,000	1,000
Perennia Food and Agriculture Incorporated	6,173	5,677
	67,141	69,234
Communities, Culture and Heritage		
Department of Communities, Culture and Heritage	52,182	49,335
Art Gallery of Nova Scotia	4,039	3,852
Public Archives of Nova Scotia	83	107
Schooner Bluenose Foundation	622	—
Sherbrooke Restoration Commission	2,415	2,347
Vive l'Acadie Community Fund	22	8
	59,363	55,649
Community Services		
Department of Community Services	880,246	895,170
Nova Scotia Housing Development Corporation	149,446	152,373
	1,029,692	1,047,543
Economic and Rural Development and Tourism		
Department of Economic and Rural Development and Tourism	157,036	94,655
Bioscience Enterprise Centre Incorporated	3	2
Film and Creative Industries Nova Scotia	4,796	3,724
Nova Scotia Business Inc.	18,132	30,864
Nova Scotia Innovation Corporation	10,687	8,652
Nova Scotia Strategic Opportunities Fund Incorporated	4	17
Trade Centre Limited	15,317	16,508
Waterfront Development Corporation Limited	6,157	4,644
	212,132	159,066
Education		
Department of Education	256,950	287,941
Annapolis Valley Regional School Board	127,374	129,379
Cape Breton Victoria Regional School Board	148,904	149,388
Chignecto-Central Regional School Board	190,799	193,375
Conseil scolaire acadien provincial	56,552	52,595
Halifax Regional School Board	426,174	430,436
Nova Scotia School Boards Association	617	647
Nova Scotia School Insurance Program	4,137	4,003
South Shore Regional School Board	73,173	73,293
Strait Regional School Board	78,972	80,889
Tri-County Regional School Board	66,104	66,582
	1,429,756	1,468,528

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2013
($ thousands)

	2013	2012 *(as restated)*
Energy		
Department of Energy	29,209	30,129
Nova Scotia Market Development Initiative Fund	1,113	1,588
Pengrowth Nova Scotia Energy Scholarship Fund	71	53
	30,393	31,770
Environment		
Department of Environment	24,703	26,618
Resource Recovery Fund Board Inc.	47,866	49,142
	72,569	75,760
Finance		
Department of Finance	37,639	33,987
Nova Scotia Pension Agency	41,237	35,951
Nova Scotia Utility and Review Board	9,917	8,835
3052155 Nova Scotia Limited	15	13
	88,808	78,786
Fisheries and Aquaculture		
Department of Fisheries and Aquaculture	8,474	8,284
Health and Wellness		
Department of Health and Wellness	1,963,982	1,861,195
Annapolis Valley District Health Authority	129,969	126,561
Cape Breton District Health Authority	298,403	294,276
Capital District Health Authority	883,949	867,814
Colchester East Hants Health Authority	81,092	75,276
Cumberland Health Authority	66,749	63,672
Gambling Awareness Foundation of Nova Scotia	432	427
Guysborough Antigonish Strait Health Authority	84,382	83,729
Izaak Walton Killam Health Centre	247,970	248,237
Nova Scotia Health Research Foundation	5,442	5,771
Pictou County Health Authority	80,580	77,895
Provincial Drug Distribution Program	90,253	86,671
South Shore District Health Authority	89,355	85,316
South West Nova District Health Authority	100,267	99,585
	4,122,825	3,976,425
Justice		
Department of Justice	285,320	269,193
Law Reform Commission	301	293
Nova Scotia E911 Cost Recovery Fund	4,809	5,067
Nova Scotia Legal Aid Commission	22,551	22,734
	312,981	297,287

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2013
($ thousands)

	2013	2012 *(as restated)*
Labour and Advanced Education		
Department of Labour and Advanced Education	188,329	191,798
Nova Scotia Community College	200,572	200,412
	388,901	392,210
Assistance to Universities	380,847	387,215
Natural Resources		
Department of Natural Resources	98,978	101,151
Acadia Coal Company Limited Fund	—	4
Coal Research Agreement Fund	—	2
Habitat Conservation Fund	160	91
Nova Scotia Primary Forest Products Marketing Board	112	167
Off-Highway Vehicle Infrastructure Fund	1,745	1,151
Species-at-risk Conservation Fund	—	3
	100,995	102,569
Public Service	136,824	138,032
Seniors		
Department of Seniors	1,748	1,866
Service Nova Scotia and Municipal Relations		
Department of Service Nova Scotia and Municipal Relations	269,248	259,643
Nova Scotia Coordinate Referencing System Trust Fund	—	30
Nova Scotia Municipal Finance Corporation	854	693
	270,102	260,366
Transportation and Infrastructure Renewal		
Department of Transportation and Infrastructure Renewal	416,515	407,159
Harbourside Commercial Park Inc.	673	787
Nova Scotia Lands Inc.	559	4,258
	417,747	412,204
Restructuring Costs	80,063	36,935
Restructuring of Nova Scotia Agricultural College	36,996	—
Pension Valuation Adjustment	107,370	40,041
Tax Credits and Rebates	127,145	116,510

NOVA SCOTIA

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2013
($ thousands)

	2013	2012 *(as restated)*
Debt Servicing Costs		
General Revenue Fund	871,273	815,157
Annapolis Valley District Health Authority	808	804
Annapolis Valley Regional School Board	862	967
Cape Breton District Health Authority	2,078	1,996
Cape Breton Victoria Regional School Board	992	1,113
Capital District Health Authority	8,148	7,965
Chignecto-Central Regional School Board	1,445	1,618
Colchester East Hants Health Authority	483	476
Conseil scolaire acadien provincial	354	397
Cumberland Health Authority	379	386
Guysborough Antigonish Strait Health Authority	509	512
Halifax Regional School Board	4,153	4,348
Izaak Walton Killam Health Centre	1,928	1,941
Nova Scotia Community College	1,685	1,552
Nova Scotia Housing Development Corporation	19,841	16,732
Nova Scotia Innovation Corporation	82	111
Nova Scotia Legal Aid Commission	384	385
Nova Scotia Municipal Finance Corporation	152	43
Nova Scotia Strategic Opportunities Fund Incorporated	3,168	2,684
Nova Scotia Utility and Review Board	39	39
Pictou County Health Authority	514	520
Renova Scotia Bioenergy Inc.	(800)	—
Sherbrooke Restoration Commission	12	17
South Shore District Health Authority	584	586
South Shore Regional School Board	574	516
South West Nova District Health Authority	760	765
Strait Regional School Board	516	676
Trade Centre Limited	74	173
Tri-County Regional School Board	464	502
Waterfront Development Corporation Limited	23	15
Waycobah School Assistance Fund	—	2
	921,484	862,998
Total Expenses	10,404,356	10,019,278

Schedule 3

Loans and Investments

As at March 31, 2013
($ thousands)

	Loans and Investments	Provisions	Net 2013	Net 2012
Loans				
Agriculture and Rural Credit Act	170,757	13,049	157,708	152,329
Educational & Services Products (NS) Ltd	15	–	15	15
Education - Student Loans Direct Lending	199,238	84,997	114,241	113,752
Fisheries Development Act	108,998	2,483	106,515	109,174
Halifax-Dartmouth Bridge Commission	2,000	–	2,000	2,000
Miscellaneous	–	–	–	709
Nova Scotia Business Inc.	60,185	23,205	36,980	78,672
Nova Scotia Housing Development Corporation	589,470	3,955	585,515	575,646
Nova Scotia Innovation Corporation	4,488	2,638	1,850	1,429
Nova Scotia Jobs Fund Act	277,765	102,681	175,084	154,368
Nova Scotia Market Development Initiative Fund	4,480	–	4,480	5,600
Nova Scotia Municipal Finance Corporation	764,182	–	764,182	725,038
Nova Scotia Strategic Opportunities Fund Incorporated	74,991	–	74,991	74,606
Perennia Food and Agriculture Incorporated	113	–	113	–
Resource Recovery Fund Board Inc.	238	–	238	89
Venture Corporations Act	809	809	–	–
Waterfront Development Corporation Limited	–	–	–	199
Total Loans	2,257,729	233,817	2,023,912	1,993,626
Investments				
Art Gallery of Nova Scotia	2,247	–	2,247	2,091
Capital District Health Authority	59,373	–	59,373	60,683
Gambling Awareness Foundation of Nova Scotia	3,444	–	3,444	3,304
Nova Scotia Business Inc.	48,195	11,395	36,800	34,537
Nova Scotia Community College	3,200	–	3,200	3,020
Nova Scotia Housing Development Corporation	–	–	–	2,435
Nova Scotia Innovation Corporation	23,466	8,528	14,938	13,819
Nova Scotia Jobs Fund Act	31,671	14,071	17,600	22,400
Nova Scotia School Insurance Program	8,711	–	8,711	8,588
Perennia Food and Agriculture Incorporated	719	–	719	934
Public Archives of Nova Scotia	1,015	–	1,015	1,002
Total Investments	182,041	33,994	148,047	152,813

The provisions listed above include $6,275 (2012 - $5,275) for possible guarantee payouts from the Nova Scotia Jobs Fund Act. Also included in the provisions is $9,988 (2012 - $10,479) for the Debt Reduction Assistance Program of the Education Student Loans of which $3,742 (2012 - $3,950) relates to the student loans guaranteed by the Province.

NOVA SCOTIA

Schedule 4

Unmatured Debt
As at March 31, 2013
($ thousands)

	Gross Unmatured Debt	Sinking Funds and Defeasance Assets	Net Unmatured Debt 2013	Net Unmatured Debt 2012
General Revenue Fund	15,349,979	2,694,183	12,655,796	12,444,153
Nova Scotia Housing Development Corporation	202,119	–	202,119	215,456
Nova Scotia Municipal Finance Corporation	8,749	–	8,749	3,431
Nova Scotia Power Finance Corporation	854,680	854,680	–	–
Waterfront Development Corporation Limited	1,680	–	1,680	1,245
Other	901	–	901	1,132
Total Unmatured Debt	16,418,108	3,548,863	12,869,245	12,665,417

Gross Unmatured Debt
All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 13.

Gross Unmatured Debt consists of the outstanding current and long-term debt of the Province's governmental units, as well as the unmatured debt of the General Revenue Fund. Current and long-term debt of the government business enterprises is reflected in the Province's Investment in Government Business Enterprises and further detailed in Schedule 6.

Schedule 4

Unmatured Debt (continued)
As at March 31, 2013
($ thousands)

Sinking Fund Assets

At March 31, 2013, the General Revenue Fund held Sinking Funds and Public Debt Management Funds of $2,694.2 million (2012 - $2,539.0 million). These funds were comprised of $2,536.4 million in Sinking Funds and $157.8 million in Public Debt Management Funds. The total market value of both funds was $2,738.5 million at year-end. During the year, contributions were $44.1 million, total earnings were $111.1 million and there were no redemptions.

Sinking fund assets are recorded at cost, which include premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The unamortized portion of the premiums and discounts is included as part of the value of the sinking funds.

Sinking fund assets consist primarily of debentures of the Provinces and Government of Canada with fixed interest rates ranging from 2.75% to 10.00%. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over the relevant period to maturity. At year-end, the Province held $675.9 million (2012 - $676.9 million) carrying value worth of its own debentures in Sinking Funds and Public Debt Management Funds as active investments.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other Provincial Governments and utilities, Federal US bonds, coupons or residuals. This debt is shown net of defeasance assets on the Statement of Financial Position.

Projected net principal repayments, capital lease payments, and sinking fund requirements for the next five years and thereafter are as follows:

($ thousands)

	Net Principal Repayments	Capital Lease Payments	Sinking Fund Payments	Total Payments
2014	1,018,176	26,068	39,385	1,083,629
2015	570,030	28,379	39,385	637,794
2016	992,942	30,318	39,385	1,062,645
2017	871,886	32,492	39,385	943,763
2018	213,511	34,748	39,385	287,644
2019 & thereafter	8,656,168	97,985	99,617	8,853,770
	12,322,713	249,990	296,542	12,869,245

Net principal repayments are comprised of the principal amounts due on loans and debentures less available designated sinking funds to retire the debentures.

In addition, the Province has approximately $814.8 million (2012 - $793.2 million) in unrestricted sinking funds that can be used towards the retirement of any unmatured debt. The use of these funds is evaluated each year based on a detailed analysis of cash requirements and market conditions.

Schedule 5

Gross Unmatured Debt
As at March 31, 2013
($ thousands)

	Foreign Exchange Rate	CDN $ Amount	Maturity Dates	Interest Rates
Debentures				
General Revenue Fund				
General Revenue Fund (CDN$)		15,084,933	2013 to 2062	3.50% to 11.75%
General Revenue Fund (US$)	0.9846	—	2013 to 2022	2.38% to 9.50%
General Revenue Fund (UK£)	0.6486	—	2019	11.75%
Nova Scotia Municipal Finance Corporation		8,749	2013 to 2032	1.00% to 2.62%
Nova Scotia Power Finance Corporation (CDN$)		550,000	2014 to 2031	10.25% to 11.25%
Nova Scotia Power Finance Corporation (US$)	0.9846	304,680	2021	9.40%
Total Debentures		15,948,362		
Loans				
General Revenue Fund - Other Debt		15,951	2014 to 2017	1.45% to 1.89%
Nova Scotia Housing Development Corporation		202,119	2013 to 2034	1.53% to 10.50%
Nova Scotia Innovation Corporation		6	2013	—
Waterfront Development Corporation Limited		1,680	Demand loan	Prime less 1.00%
Total Loans		219,756		
Capital Leases				
General Revenue Fund		249,095	2013 to 2027	6.04% to 7.25%
Other		895	2013 to 2017	6.19% to 6.29%
Total Capital Leases		249,990		
Gross Unmatured Debt		16,418,108		

Call, Redemption and Other Features

General Revenue Fund
Canadian debentures include $1,079.4 million in CPP debentures, which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada.

The interest rates shown for the Canadian and US debentures reflect the fixed interest rates only. There are debentures that have floating interest rates. Floating interest rates are adjusted on a quarterly basis.

Housing Development Corporation
Mortgages and notes payable are secured by investments in social housing.

Schedule 6

Government Business Enterprises
As at March 31, 2013
($ thousands)

	Halifax-Dartmouth Bridge Commission	Highway 104 Western Alignment Corporation	Nova Scotia Liquor Corporation	Nova Scotia Provincial Lotteries and Casino Corporation	QEII Health Sciences Centre Auxiliary	2013 Total	2012 Total *(as restated)*
Cash	10,025	659	15,887	16,645	1,254	44,470	30,672
Accounts Receivable	339	954	1,376	1,024	1,534	5,227	5,740
Inventory	—	4	44,764	2,874	313	47,955	43,200
Investments	14,017	38,902	—	1	—	52,920	50,194
Tangible Capital Assets	92,259	40,003	44,028	99,587	1,563	277,440	248,309
Other Assets	225	477	5,805	13,744	3	20,254	13,357
Total Assets	116,865	80,999	111,860	133,875	4,667	448,266	396,472
Accounts Payable	3,952	1,685	42,314	69,056	4,343	121,350	110,506
Unmatured Debt	45,000	50,369	41	48,943	23	144,376	121,825
Other Liabilities	5,221	8,847	29,674	26,347	294	70,383	62,693
Total Liabilities	54,173	60,901	72,029	144,346	4,660	336,109	295,024
Equity	62,692	20,098	39,831	(10,471)	7	112,157	101,448
Total Liabilities and Equity	116,865	80,999	111,860	133,875	4,667	448,266	396,472
Total Revenue	32,762	22,416	598,389	409,978	8,518	1,072,063	1,074,269
Debt Servicing	2,444	8,811	1,201	943	—	13,399	13,746
Other Expenses	18,678	11,649	370,802	297,875	7,563	706,567	691,153
Total Expenses	21,122	20,460	372,003	298,818	7,563	719,966	704,899
Net Income	11,640	1,956	226,386	111,160	955	352,097	369,370

Schedule 6

Government Business Enterprises (continued)
As at March 31, 2013
($ thousands)

Halifax-Dartmouth Bridge Commission

The Halifax-Dartmouth Bridge Commission (HDBC), operating as Halifax Harbour Bridges, was created in 1950 by a special statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*). The purpose of HDBC is to construct, maintain, and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

HDBC currently operates and maintains two toll bridges across the Halifax Harbour; the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. Bridge tolls are regulated by the Nova Scotia Utility and Review Board, a provincially controlled public sector entity.

Long-Term Loan Agreement
On July 25, 2007, HDBC entered into a long-term loan agreement with the Province for $60.0 million with a final maturity date of December 4, 2019. This agreement requires annual principal repayments of $3.0 million plus interest, with a final principal repayment of $27.0 million along with all accrued and unpaid interest thereon due on the final maturity date. At March 31, 2013, HDBC had $42.0 million (2012 - $45.0 million) of long-term debt and $3.0 million (2012 - $3.0 million) of debt maturing within one year.

Interest is payable semi-annually on July 4 and December 4 of each year. The average interest rate over the loan is 5.13%. For the period ending March 31, 2013, interest expense on the long term debt was $2.4 million (2012 – $2.6 million), of which $742.0 thousand (2012 – $790.0 thousand) was payable at year-end.

This agreement also requires that two reserve funds, the Operating, Maintenance & Administrative Fund (OM Fund) and the Debt Service Fund, be maintained. Effective June 4, 2008, a Capital Fund was also established.

Line of Credit Agreement
On June 30, 2008, HDBC entered into an agreement with the Province for a $60.0 million revolving, unsecured line of credit. At March 31, 2013, HDBC had one advance totaling $2.0 million (2012 – $2.0 million) against the line of credit and accrued interest for the year in the amount of $27.0 thousand (2012 – $32.0 thousand), of which $8.0 thousand (2012 - $2.0 thousand) was payable at year-end.

Government Business Enterprises (continued)
As at March 31, 2013
($ thousands)

Highway 104 Western Alignment Corporation

The Highway 104 Western Alignment Corporation (H104) was established for the purpose of financing, designing, constructing, operating, and maintaining a 45 km stretch of highway (referred to as the Cobequid Pass) between Masstown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia.

Related Party Transactions

Included in the financial statements of H104 are transactions with various Crown corporations, ministries, agencies, boards and commissions related to H104 by virtue of common control by the Province. All other transactions with parties under the control of the government are routine operating transactions carried out as part of H104's normal day-to-day operations. These routine transactions are individually insignificant and include maintenance services, enforcement costs, and purchases of inventory and property, plant and equipment. Collectively the transactions increase enforcement costs by $60.0 thousand (2012 – $60.0 thousand), maintenance services by $1.2 million (2012 – $1.2 million), inventory by $25.8 thousand (2012 – $15.1 thousand), and property, plant and equipment by $94.6 thousand (2012 – $35.0 thousand).

At March 31, 2013, H104 had a receivable from the Province in the amount of $638.4 thousand (2012 – $860.7 thousand). Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and H104 will comply with the conditions associated with them.

Omnibus Agreement

The Omnibus Agreement, dated April 1, 1996, is an agreement between H104, the Contractor, the Operator, and the Province to design, finance, construct, operate and maintain the Highway 104 Western Alignment. Under this agreement, the Province of Nova Scotia retains ownership of the highway. However, H104 is granted the right to operate the highway and collect tolls for a 30-year period, after which time the right will revert to the Province.

Restricted accounts for capital reserve, major maintenance reserve, and debt service reserve have been established in accordance with the Omnibus Agreement. Restricted assets totaling $38.9 million (2012 – $38.0 million) are comprised of investments that are recorded at fair value and include accrued interest of $91.4 thousand (2012 - $74.5 thousand), have a weighted average term of 6.77 (2012 – 8.91) months to maturity, and a weighted average interest rate of 1.20 per cent (2012 – 1.18 per cent).

Annual Roadway Maintenance Agreement

The annual roadway maintenance agreement is a 30-year agreement between H104 and the Department of Transportation and Infrastructure Renewal for the provision of annual roadway maintenance services and is renewable in five year increments.

Long-Term Debt

Long-term debt is comprised of senior toll revenue bonds bearing interest of 10.25% and maturing March 31, 2026. The bonds are payable in equal installments of interest and principal. At year-end, H104 had $48.4 million (2012 – $55.2 million) of long-term debt and $2.0 million (2012 – $1.9 million) of debt maturing within one year. Interest expense on the long term debt was $8.8 million (2012 – $9.0 million) for the year. Minimum principal repayments for the next five years are as follows: 2014 – $2.0 million, 2015 – $2.2 million, 2016 – $2.4 million, 2017 – $2.7 million, and 2018 – $3.0 million. As security, H104 has provided an assignment of all the present and future property and assets, including rights to operate the facility, and a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.

Government Business Enterprises (continued)
As at March 31, 2013
($ thousands)

Nova Scotia Liquor Corporation

The Nova Scotia Liquor Corporation (NSLC) derives its mandate from the *Liquor Control Act*, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. NSLC was created June 1, 2001, by Chapter 4 of the *Government Restructuring (2001) Act*, via continuance of the Nova Scotia Liquor Commission as a body corporate.

NSLC operates retail sales locations across the province and has a fiscal year-end of March 31. Remittances to the Department of Finance totaled $224.5 million in 2013 (2012 – $221.5 million).

Obligations under Finance Lease

At March 31, 2013, NSLC had long-term obligations under finance lease of $21.0 thousand (2012 – $41.0 thousand) and current obligations under finance lease of $20.0 thousand (2012 – $19.0 thousand). Interest expense on the finance lease obligations was $2.0 thousand (2012 – $68.0 thousand) for the year.

Equity

Upon conversion to International Financial Reporting Standards (IFRS) in the previous year, NSLC reclassified its payable to the Minister of Finance from a liability to equity. At March 31, 2013, NSLC's equity was $39.8 million (2012 – $40.1 million).

Nova Scotia Provincial Lotteries and Casino Corporation

The Nova Scotia Gaming Corporation (NSGC) was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The *Gaming Control Act* was amended on November 13, 2012, whereby the name of NSGC was changed to Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC). The principal activities of NSPLCC are to develop, undertake, organize, conduct, and manage casinos and other lottery business on behalf of the Province of Nova Scotia. Revenues of NSPLCC are derived from two casinos, located in Halifax and Sydney, as well as ticket and video lottery sales.

Payable to the Province

At March 31, 2013, NSPLCC had a payable to the Province in the amount of $54.9 million (2012 – $55.6 million).

Special Payments to Government Departments

NSPLCC is obligated to make direct payments annually to three provincial government departments: the Department of Communities, Culture and Heritage (in support of the Cultural Federation of Nova Scotia), the Department of Agriculture (in support of the Exhibition Association of Nova Scotia), and the Department of Health and Wellness (in support of Sport Nova Scotia). These payments totaled $0.2 million (2012 – $0.2 million).

Additionally, as part of its Gaming Strategy, the Province approved a contribution of $3.0 million to the Department of Health and Wellness in 2013 (2012 – $3.0 million) to fund problem gambling treatment.

Schedule 6

Government Business Enterprises (continued)
As at March 31, 2013
($ thousands)

Nova Scotia Provincial Lotteries and Casino Corporation (continued)

Gambling Awareness Foundation Contribution

Video Lottery (VL) retailers in Nova Scotia have agreed, under the terms of their agreements with Atlantic Lottery Corporation Inc., to contribute 1.0 per cent of their VL commission to the Gambling Awareness Foundation of Nova Scotia. NSPLCC has agreed to contribute an amount equal to all contributions made by the VL retailers. At March 31, 2013, NSPLCC had a payable to the Gambling Awareness Foundation in the amount of $38.0 thousand (2012 – $45.0 thousand).

Harness Racing Fund Contribution

NSPLCC annually contributes to the Nova Scotia Harness Racing Fund, pursuant to the Nova Scotia Harness Racing Fund Regulations. These contributions go towards supporting the harness racing industry in Nova Scotia. In 2013, the contribution was $1.0 million (2012 – $1.0 million). The 2014 approved budget for this item is $1.0 million.

Due to Atlantic Gaming Equipment

At March 31, 2013, the amount due to Atlantic Gaming Equipment Limited was $48.9 million (2012 – $16.5 million). This liability represents a portion of Atlantic Lottery Corporation Inc.'s (ALC) debt used in the acquisition of property, plant and equipment operated on behalf of NSPLCC. All amounts are payable by ALC and are due on or before August 2016. The debt is based on variable interest rates ranging from 1.34 to 2.58 per cent. The aggregate maturity of long-term debt for the years subsequent to March 31, 2013 is approximately as follows: 2014 – $17.2 million, 2015 – $9.9 million; 2016 – $7.8 million; and 2017 – $4.7 million. Included in interest expense is $0.8 million (2012 - $0.7 million) relating to long-term debt.

Queen Elizabeth II Health Sciences Centre Auxiliary

The Queen Elizabeth II Health Sciences Centre Auxiliary, operating as Partners for Care, is a volunteer based non-profit, charitable organization. The primary objective of Partners for Care is to generate revenue for Capital District Health Authority (CDHA) through parking and retail services, rental activities, and other special projects that generally take place within the hospital premises. Partners for Care was identified and consolidated as a government business enterprise by CDHA.

Receivable from Capital District Health Authority

At March 31, 2013, Partners for Care had a receivable from CDHA in the amount of $1.3 million (2012 – payable to CDHA in the amount of $2.7 million).

Capital Lease

At March 31, 2013, Partners for Care had a current obligation under capital lease of $23.0 thousand (2012 – $62.0 thousand) and long-term obligation under capital lease of $nil (2012 – $23.0 thousand).

Transfers to Capital District Health Authority

Transfers to CDHA totaled $nil in 2013 (2012 – $5.1 million).

Schedule 7

Tangible Capital Assets

As at March 31, 2013

($ thousands)

						2013	2012
	Land	Buildings and Land Improvements	Machinery, Computers and Equipment	Vehicles and Ferries	Roads, Bridges and Highways	Total	Total
Costs							
Opening Costs	800,385	4,503,880	1,365,571	137,826	2,147,183	8,954,845	8,382,500
Transfers	(10)	11,343	(11,380)	47	–	–	(1,341)
Additions	152,685	179,093	103,696	15,911	239,477	690,862	611,179
Disposals	(2,228)	(81,657)	(35,060)	(4,145)	–	(123,090)	(37,493)
Closing Costs	950,832	4,612,659	1,422,827	149,639	2,386,660	9,522,617	8,954,845
Accumulated Amortization							
Opening Accumulated Amortization	–	(1,849,889)	(988,802)	(82,815)	(911,124)	(3,832,630)	(3,505,576)
Transfers	–	(6,684)	6,684	–	–	–	(189)
Disposals	–	54,864	34,284	3,945	–	93,093	35,577
Amortization Expense	–	(137,089)	(88,876)	(12,605)	(144,328)	(382,898)	(362,442)
Closing Accumulated Amortization	–	(1,938,798)	(1,036,710)	(91,475)	(1,055,452)	(4,122,435)	(3,832,630)
Net Book Value	950,832	2,673,861	386,117	58,164	1,331,208	5,400,182	5,122,215
Opening Balance	800,385	2,653,991	376,769	55,011	1,236,059	5,122,215	4,876,924
Closing Balance	950,832	2,673,861	386,117	58,164	1,331,208	5,400,182	5,122,215
Increase in Net Book Value	150,447	19,870	9,348	3,153	95,149	277,967	245,291

Schedule 7

Tangible Capital Assets (continued)
As at March 31, 2013
($ thousands)

Amortization is calculated on a declining balance basis for most assets of the General Revenue Fund. The amortization percentages of the more common tangible capital assets are as follows:

Buildings and Land Improvements	5-30 per cent
Machinery, Computers and Equipment	15-50 per cent
Vehicles and Ferries	15-35 per cent
Roads, Bridges and Highways	5-15 per cent

Capital leases are amortized on a straight-line basis over the length of each lease (3-25 years).

Amortization is generally calculated on a straight-line basis for assets of the governmental units. The estimated useful lives of the more common tangible capital assets are as follows:

Buildings (including Leasehold Improvements) and Land Improvements	5-50 years
Machinery, Computers and Equipment	2-50 years
Vehicles and Ferries	3-7 years

Capital leases are amortized on a straight-line basis, generally 5-45 years.

Social Housing assets are included in Buildings and Land Improvements and relate to the Nova Scotia Housing Development Corporation. These assets are amortized using the straight-line method. The net book value of these assets is $339,563 (2012 - $346,628).

Included in the closing costs of the various classes as at March 31, 2013, are costs for assets under construction, which have not yet been amortized. These costs relate to buildings and land improvements of $178,811, machinery, computers and equipment of $30,813, vehicles and ferries of $17,643, and roads, bridges and highways of $55,777.

Capital leases are included in the various classes as at March 31, 2013 as follows: buildings and land improvements - cost of $452,560, accumulated amortization of $284,525; machinery, computers and equipment - cost of $41,453, accumulated amortization of $39,700; and vehicles and ferries - cost of $17,514, accumulated amortization of $11,103.

Schedule 8

Direct Guarantees
As at March 31, 2013
($ thousands)

	Authorized 2013	Utilized 2013	Utilized 2012 *(as restated)*
Bank Loans			
Department of Education - Student Loan Program	9,977	9,977	15,449
Nova Scotia Business Inc.	1,050	300	300
Nova Scotia Jobs Fund Act	64,550	45,749	39,931
Total Bank Loan Guarantees	75,577	56,026	55,680
Mortgages			
Housing Development Corporation Act	8,774	8,774	9,143
Housing Development Corporation Act - CMHC Indemnities	78,457	78,457	87,213
Provincial Finance Act	8	8	18
Total Mortgage Guarantees	87,239	87,239	96,374
Total Direct Guarantees	162,816	143,265	152,054
Less: Provision for Guarantee Payout			
Department of Education - Student Loan Program		(1,776)	(3,191)
Housing Development Corporation Act		(11,981)	(10,385)
Nova Scotia Business Inc.		(300)	(300)
Nova Scotia Jobs Fund Act		(6,275)	(5,275)
		(20,332)	(19,151)
Less: Provision for Student Debt Reduction Program			
Department of Education - Student Loan Program		(3,742)	(3,950)
Net Direct Guarantees		119,191	128,953

(Not provided for in these Consolidated Financial Statements)

Schedule 9

Segment Reporting
As at March 31, 2013

Segment reporting is designed to assist users in identifying the resources allocated to support the major activities of government and to better understand the performance of segments.

The following schedules provide segment information for the 2013 and 2012 fiscal years. Segment results represent the activities of that segment and include any inter-segment transactions. Inter-segment eliminations are shown in a separate column. The Province has determined that the following segments represent the major activities of government.

Health
The provision of such services and institutions to the public that will lead to a higher state of personal health.

Education
The provision of all aspects and phases of training to equip people with necessary skills to pursue productive lives. This includes: Primary to Grade 12, post-secondary and advanced education, as well as labour support.

Infrastructure & Public Works
The provision of the means to facilitate the effective and efficient movement of persons and property. This includes the net results of the Halifax-Dartmouth Bridge Commission and the Highway 104 Western Alignment Corporation.

Social Services
The provision of services and assistance to economically and/or socially disadvantaged persons requiring aid.

Natural Resources & Economic Development
The provision for the maintenance and upkeep, efficient extraction, processing, and utilization of the natural attributes of the province with the aim of creating employment and contributing to the material well-being of residents.

Other Government
Revenues and expenses that relate to activities that are not identified as a separate segment or cannot be directly allocated on a reasonable basis to individual segments because they support a wide range of service delivery activities. This includes certain items from the General Revenue Fund such as general tax revenues, sinking fund earnings, debt servicing costs, and the pension valuation adjustment.

Segment Reporting

For the fiscal year ended March 31, 2013
($ thousands)

Schedule 9

	Health		Education		Infrastructure & Public Works		Social Services	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue		*(as restated)*		*(as restated)*		*(as restated)*		*(as restated)*
Provincial Sources								
Tax Revenue	206,287	208,631	–	–	243,446	250,186	–	–
Other Provincial Revenue	401,594	367,240	433,991	410,457	14,303	17,641	107,725	32,730
Net Income from GBEs	955	(721)	–	–	13,596	13,415	–	–
Investment Income	2,747	2,311	5,087	4,595	–	–	27,024	30,209
Federal Sources	855,136	828,896	268,099	271,252	27,574	30,140	267,508	350,281
Total Revenue	1,466,719	1,406,357	707,177	686,304	298,919	311,382	402,257	413,220
Expenses								
Grants and Subsidies	1,658,973	1,574,702	641,547	644,440	459	15,775	810,472	806,920
Salaries and Employee Benefits	1,633,886	1,591,075	1,150,897	1,171,954	123,882	122,188	155,815	147,793
Operating Goods and Services	714,428	688,051	325,341	336,805	107,026	93,137	82,215	104,497
Professional Services	96,270	83,159	28,214	27,778	18,166	20,251	3,432	1,222
Amortization	98,214	96,802	76,290	73,938	169,487	157,221	19,245	18,176
Debt Servicing Costs	17,348	17,106	11,044	11,688	–	–	45,571	43,683
Other	1	2	–	–	–	–	–	–
Total Expenses	4,219,120	4,050,897	2,233,333	2,266,603	419,020	408,572	1,116,750	1,122,291
Segment Result	(2,752,401)	(2,644,540)	(1,526,156)	(1,580,299)	(120,101)	(97,190)	(714,493)	(709,071)

Segment Reporting

Schedule 9

For the fiscal year ended March 31, 2013
($ thousands)

	Natural Resources & Economic Development		Other Government		Inter-Segment Eliminations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenue		*(as restated)*		*(as restated)*				*(as restated)*
Provincial Sources								
Tax Revenue	363	415	4,451,698	4,192,826	—	—	4,901,794	4,652,058
Other Provincial Revenue	142,865	266,715	424,011	382,412	(133,855)	(113,092)	1,390,634	1,364,103
Net Income from GBEs	—	—	337,546	356,676	—	—	352,097	369,370
Investment Income	9,818	11,006	184,733	186,440	(34,834)	(39,097)	194,575	195,464
Federal Sources	167,617	207,251	1,676,831	1,491,474	—	—	3,262,765	3,179,294
Total Revenue	320,663	485,387	7,074,819	6,609,828	(168,689)	(152,189)	10,101,865	9,760,289
Expenses								
Grants and Subsidies	200,353	151,373	399,641	378,258	963	(5,651)	3,712,408	3,565,817
Salaries and Employee Benefits	140,122	149,917	446,979	366,295	(102,711)	(81,103)	3,548,870	3,468,119
Operating Goods and Services	136,432	129,184	116,624	104,834	(8,703)	(4,424)	1,473,363	1,452,084
Professional Services	21,426	20,335	166,126	153,914	(705)	(655)	332,929	306,004
Amortization	5,721	5,904	13,941	10,401	—	—	382,898	362,442
Debt Servicing Costs	6,718	8,788	898,035	840,660	(57,232)	(58,927)	921,484	862,998
Other	32,704	2,792	—	449	(301)	(1,429)	32,404	1,814
Total Expenses	543,476	468,293	2,041,346	1,854,811	(168,689)	(152,189)	10,404,356	10,019,278
Segment Result	(222,813)	17,094	5,033,473	4,755,017	—	—	(302,491)	(258,989)

Schedule 10

Government Reporting Entity
As at March 31, 2013

The government reporting entity is comprised of the province's departments and public service units (General Revenue Fund) as well as the following governmental units, government business enterprises, and a proportionate share of government partnership arrangements:

Governmental Units
(Consolidation Method)

Acadia Coal Company Limited Fund
Annapolis Valley District Health Authority
Annapolis Valley Regional School Board
Art Gallery of Nova Scotia
Arts Nova Scotia
Bioscience Enterprise Centre Incorporated (inactive)
Cape Breton District Health Authority
Cape Breton Victoria Regional School Board
Capital District Health Authority
Check Inns Limited (inactive)
Chignecto-Central Regional School Board
Coal Research Agreement Fund
Colchester East Hants Health Authority
Conseil scolaire acadien provincial
CorFor Capital Repairs and Replacements Fund
Creative Nova Scotia Leadership Council
Crown Land Mine Remediation Fund
Crown Land Silviculture Fund
Cumberland Health Authority
Democracy 250 (inactive)
Film and Creative Industries Nova Scotia
Gambling Awareness Foundation of Nova Scotia
Gaming Addiction Treatment Trust Fund
Guysborough Antigonish Strait Health Authority
Habitat Conservation Fund
Halifax Regional School Board
Harbourside Commercial Park Inc.
    Sydney Utilities Limited
Izaak Walton Killam Health Centre
Law Reform Commission
Muggah Creek Remediation Fund
Nova Scotia Arts Council (inactive)
Nova Scotia Blueberry Institute Fund
Nova Scotia Business Inc.
Nova Scotia Community College
    Nova Scotia Community College Foundation
Nova Scotia Coordinate Referencing System Trust Fund
Nova Scotia Crop and Livestock Insurance Commission
Nova Scotia E911 Cost Recovery Fund
Nova Scotia Environmental Trust
Nova Scotia Farm Loan Board
Nova Scotia Fisheries and Aquaculture Loan Board
Nova Scotia Government Acadian Bursary Program Fund
Nova Scotia Harness Racing Fund
Nova Scotia Health Research Foundation
Nova Scotia Housing Development Corporation
    Cape Breton Island Housing Authority
    Cobequid Housing Authority
    Eastern Mainland Housing Authority
    Metropolitan Regional Housing Authority
    Western Regional Housing Authority
Nova Scotia Innovation Corporation
    1402998 Nova Scotia Limited
    3087532 Nova Scotia Limited
Nova Scotia Jobs Fund
Nova Scotia Lands Inc.
Nova Scotia Legal Aid Commission
Nova Scotia Market Development Initiative Fund
Nova Scotia Municipal Finance Corporation
Nova Scotia Nominee Program Fund
Nova Scotia Pension Agency
Nova Scotia Power Finance Corporation
Nova Scotia Primary Forest Products Marketing Board
Nova Scotia School Boards Association *(1)*
Nova Scotia School Insurance Exchange *(2)*
Nova Scotia School Insurance Program Association *(2)*
Nova Scotia Sportfish Habitat Fund
Nova Scotia Strategic Opportunities Fund Incorporated
Nova Scotia Tourism Agency
Nova Scotia Utility and Review Board
Off-Highway Vehicle Infrastructure Fund
P3 Schools Capital and Technology Refresh Fund *(3)*
Pengrowth Nova Scotia Energy Scholarship Fund
Perennia Food and Agriculture Incorporated
Pictou County Health Authority
Provincial Drug Distribution Program
Public Archives of Nova Scotia
Public Debt Management Fund
Renova Scotia Bioenergy Inc.
Resource Recovery Fund Board Inc.
Rockingham Terminal Incorporated (inactive)
Schooner Bluenose Foundation
Scotia Learning Technology Refresh Fund
Sherbrooke Restoration Commission
South Shore District Health Authority
South Shore Regional School Board

Schedule 10

Government Reporting Entity (continued)
As at March 31, 2013

Governmental Units (continued)
(Consolidation Method)

South West Nova District Health Authority
Species-at-risk Conservation Fund
Strait Regional School Board
Sustainable Forestry Fund
Sydney Environmental Resources Limited (inactive)
Sydney Steel Corporation
Sydney Tar Ponds Agency
Sysco Decommissioning Fund
Trade Centre Limited
Tri-County Regional School Board
Upper Clements Family Theme Park Limited (inactive)
Vive l'Acadie Community Fund
Waterfront Development Corporation Limited
  3104102 Nova Scotia Limited
Waycobah School Assistance Fund
3052155 Nova Scotia Limited

Government Business Enterprises
(Modified Equity Method)

Halifax-Dartmouth Bridge Commission
Highway 104 Western Alignment Corporation
Nova Scotia Liquor Corporation
Nova Scotia Provincial Lotteries and Casino Corporation
  Atlantic Lottery Corporation (25% ownership)
  Interprovincial Lottery Corporation
    (10% ownership)
  Nova Scotia Gaming Equipment Limited
Queen Elizabeth II Health Sciences Centre Auxiliary

Government Partnership Arrangements
(Proportionate Consolidation Method)

Atlantic Provinces Special Education Authority
  (approximately 55% share)
Canada-Nova Scotia Offshore Petroleum Board
  (50% share)
Canadian Sports Centre Atlantic
  (approximately 14% share)
Council of Atlantic Premiers
  (approximately 46% share)

(1) – Entity is a partnership controlled by the eight school boards.

(2) – Entity is a partnership controlled by the eight school boards and the Nova Scotia Community College.

(3) – This includes all refresh funds related to P3 schools.

NOVA SCOTIA